

BIGGS UNIFIED SCHOOL DISTRICT

**County of Butte
Biggs, California**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2011

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*Biggs Unified
School District*

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Biggs Unified School District
Biggs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Biggs Unified School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, net assets, and change in net assets of the discretely presented component unit would have been presented as \$56,192, \$56,192, and \$(741), respectively.

In our opinion, because of the omission of the discretely presented component unit as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the District as of June 30, 2011, or the changes in the financial position thereof for the year then ended.

Further, in our opinion, except for the effects of omitting the discretely component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

Continued

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Matson and Isom

December 9, 2011

Required Supplementary Information

INTRODUCTION

An overview of the Biggs Unified School District's (the District) financial activities for the fiscal year ended June 30, 2011, is provided in this management's discussion and analysis of the District's financial performance. This management's discussion and analysis should be read in conjunction with the District's financial statements (including notes and supplementary information).

FINANCIAL HIGHLIGHTS

Overall government-wide revenues were \$6,655,147. Revenues exceeded expenses by \$594,511. The District has incurred an operating deficit in one of the last three years.

Total fund balances in governmental funds were \$2,585,154, an increase of 25.65% from the previous year. The General Fund reported a total fund balance of \$1,707,361.

Average daily attendance in the District has decreased by 6.04% over the last two years.

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Combined, these three parts provide a comprehensive overview of the District. The basic financial statements include two kinds of statements that present different views of the District:

- The first two financial statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining financial statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The District maintains governmental funds and fiduciary funds as follows:
 - *Governmental funds* financial statements provide information on how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - *Fiduciary funds* financial statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two financial statements report the District's net assets and how they have changed.

Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of net assets and the statement of activities divide the District into two kinds of activities:

Governmental activities represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-type activities represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The District has two types of funds:

Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year-end that are available for spending.

A detailed short-term view is provided by the governmental fund financial statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided following the governmental fund financial statements that explain the differences (or relationships) between them.

Fiduciary Funds

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

As shown in the following table the District's net assets as of June 30, 2011, was \$4,117,012. Of this amount, \$1,860,136 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board of Trustee's ability to use those net assets for day-to-day operations. All District net assets are the result of governmental activities.

	Governmental Activities		Percentage Change 2010-11
	2010	2011	
ASSETS			
Cash and investments	\$ 1,962,687	\$ 2,486,020	26.7%
Receivables	844,750	786,811	-6.9%
Other assets	14,037	56,106	299.7%
Capital assets - net	<u>1,806,923</u>	<u>2,487,086</u>	37.6%
Total Assets	<u>\$ 4,628,397</u>	<u>\$ 5,816,023</u>	25.7%
LIABILITIES			
Overdraft in county treasury	\$ 48,105	\$ 42,950	-10.7%
Accounts payable and other liabilities	682,101	642,172	-5.9%
Deferred revenue	30,240	18,352	-39.3%
Long-term debt	<u>345,450</u>	<u>995,537</u>	188.2%
Total Liabilities	<u>\$ 1,105,896</u>	<u>\$ 1,699,011</u>	53.6%
NET ASSETS			
Invested in capital assets - net of related debt	\$ 1,806,923	\$ 2,067,086	14.4%
Restricted	479,423	189,790	-60.4%
Unrestricted	<u>1,236,155</u>	<u>1,860,136</u>	50.5%
Total Net Assets	<u>\$ 3,522,501</u>	<u>\$ 4,117,012</u>	16.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

*Biggs Unified
School District***Change in Net Assets**

The total cost of all programs and services was \$6,060,636. Revenues exceeded the District's expenses for the year by \$594,511. The District's expenses are primarily related to educating and caring for students and make up 72.71% of all expenses. Administrative activities of the District account for 10.47% of the total costs. The increase in federal and state formula aid is related to the District's receipt of financial hardship grant funding which was used in part to fund the HVAC project at Biggs High School.

The following table summarizes the change in net assets for the District.

	Governmental Activities		Percentage
	2010	2011	Change 2010-11
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 54,198	\$ 60,217	11.1%
Operating grants and contributions	1,211,177	1,076,755	-11.1%
GENERAL REVENUES			
Property taxes	1,671,309	1,682,283	0.7%
Federal and state formula aid	2,892,857	3,541,219	22.4%
Other	264,945	294,673	11.2%
Total Revenues	6,094,486	6,655,147	9.2%
EXPENSES			
Instruction and instructional related services	4,001,058	3,808,876	-4.8%
Pupil services	646,832	598,430	-7.5%
Plant services	668,136	719,623	7.7%
Ancillary services	64,376	54,543	-15.3%
General administration	646,396	634,282	-1.9%
Other outgo	199,688	244,882	22.6%
Total Expenses	6,226,486	6,060,636	-2.7%
Change in Net Assets	\$ (132,000)	\$ 594,511	550.4%

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Governmental Funds

The District’s governmental funds reported a combined fund balance of \$2,585,154, an increase of \$527,701 from the previous year. Following is a summary of the District’s fund balances.

	Fund Balance		Increase (Decrease)
	2010	2011	
General	\$ 1,628,513 *	\$ 1,707,361	\$ 78,848
Cafeteria Special Revenue	-	2,482	2,482
Deferred Maintenance	324,771	727,736	402,965
Capital Facilities	104,019	147,424	43,405
Special Reserve Capital Projects	150	151	1
Total	\$ 2,057,453	\$ 2,585,154	\$ 527,701

* As restated for GASB Statement No. 54 adoption to include the Special Reserve Special Revenue Fund and Special Reserve Fund for Postemployment Benefits.

The General Fund increase is due primarily to additional local revenue and a reduction in expenditures.

The Deferred Maintenance Fund increase is due to critical hardship and financial hardship grants.

The Capital Facilities Fund increase is due to an increase in the collection of developer fees.

General Fund Budgetary Highlights

During the course of the year, the District revises its budget as information is available that results in changes in revenues and expenditures. A schedule showing the District’s original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in our annual report.

The District originally budgeted expenditures and other financing uses to exceed revenues and other financing sources by \$294,099. The District’s final budget had an expected deficit of \$325,327. However, actual results for the year reflected a current year increase of \$78,848. The contributing factors for changes between final budget and actual were created by savings in salary and benefit costs, operating costs, and materials and supplies. Also included, were a reduction in interfund transfers to the Cafeteria Special Revenue Fund and an increase in local revenue generated by the walnut orchard.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$2,487,086 in capital assets including land, buildings and improvements, and equipment and vehicles. During the year, \$53,107 was invested in vehicles, \$7,060 was invested in buildings and improvements, and \$707,949 was spent on the Biggs High School HVAC replacement project.

	Governmental Activities		Percentage
	2010	2011	Change 2010-11
Land	\$ 283,366	\$ 283,366	0.0%
Buildings and improvements	1,115,313	1,723,267	54.5%
Equipment and vehicles	334,391	339,867	1.6%
Construction in progress	73,853	140,586	90.4%
Total Capital Assets	\$ 1,806,923	\$ 2,487,086	37.64%

Long-Term Debt

At year end, the District had \$995,537 in outstanding long-term debt. During the year the District issued \$420,000 in lease revenue notes for the HVAC system at Biggs High School. The District received a critical hardship grant for the HVAC system and is receiving revenue from the State over a five-year period from 2008-09 through 2012-13. The notes were required in order to complete the project and will be paid off in 2013-14 with proceeds from the grant.

	Governmental Activities		Percentage
	2010	2011	Change 2010-11
Compensated absences	\$ 25,113	\$ 34,007	35.4%
Lease revenue notes	-	420,000	N/A
Other postemployment benefits	117,613	104,224	-11.4%
Net OPEB obligation	202,724	437,306	115.7%
Total Long-Term Debt	\$ 345,450	\$ 995,537	188.2%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to experience declining enrollment, which will result in a decrease in revenue. The Board of Trustees has consistently demonstrated that it is prepared to take the steps necessary to ensure the District's solvency.

The District was able to fully fund its required reserves at the close of the 2010-11 fiscal year. Contributing factors to the District's ability to continue to operate in a positive status are the board, administration, and employees' diligence to remain vigilant in operating efficiently as well as using the carryover from one-time sources in the ending fund balance to meet the reserve requirement for the current and two subsequent years.

The contract with California Schools Employees Association (CSEA) is currently expired. The contract agreement with Biggs Unified Teachers Association (BUTA) is also currently expired. Due to the continued uncertainty of the economy and volatility of the State's budget, the District must remain cautious in negotiating future agreements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

Biggs Unified School District
300 B Street
Biggs, CA 95917
Phone: (530) 868-1281 extension 250

Basic Financial Statements

STATEMENT OF NET ASSETS*Biggs Unified
School District*

June 30, 2011	Governmental Activities
ASSETS	
Cash and investments	\$ 2,486,020
Accounts receivable	58,052
Due from other governments	728,759
Inventories - supplies and materials	15,797
Prepaid expenses	40,309
Nondepreciated capital assets	423,952
Depreciated capital assets	5,622,847
Accumulated depreciation	(3,559,713)
Total Assets	\$ 5,816,023
LIABILITIES	
Overdraft in county treasury	\$ 42,950
Accounts payable and other current liabilities	313,211
Due to other government	328,961
Deferred revenue	18,352
Long-term obligations:	
Due within one year	14,400
Due beyond one year	981,137
Total Liabilities	\$ 1,699,011
NET ASSETS	
Invested in capital assets - net of related debt	\$ 2,067,086
Restricted for capital projects	147,424
Restricted for educational programs	42,366
Unrestricted	1,860,136
Total Net Assets	\$ 4,117,012

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

*Biggs Unified
School District*

Year Ended June 30, 2011	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets Governmental Activities</u>
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental activities				
Instruction	\$ 3,354,186	\$ -	\$ 560,863	\$ (2,793,323)
Instruction - related services	454,690	-	20,176	(434,514)
Pupil services	598,430	18,085	371,823	(208,522)
Ancillary services	54,543	-	-	(54,543)
Community services	30,584	-	-	(30,584)
General administration	634,282	770	58,634	(574,878)
Plant services	719,623	41,362	2,043	(676,218)
Other outgo	169,906	-	63,216	(106,690)
Interest on long-term debt	44,392	-	-	(44,392)
Total Governmental Activities	\$ 6,060,636	\$ 60,217	\$ 1,076,755	(4,923,664)
GENERAL REVENUES				
Property taxes - levied for general purposes				1,682,283
Federal and state aid not restricted to specific purposes				3,541,219
Unrestricted investment earnings				34,592
Interagency revenues				7,799
Miscellaneous				252,282
Total General Revenues and Transfers				5,518,175
Change in Net Assets				594,511
Net Assets - Beginning of Year				3,522,501
Net Assets - End of Year				\$ 4,117,012

The accompanying notes are an integral part of these financial statements.

**BALANCE SHEET –
GOVERNMENTAL FUNDS**

*Biggs Unified
School District*

June 30, 2011	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,606,316	\$ 732,636	\$ 147,068	\$ 2,486,020
Accounts receivable	57,417	-	635	58,052
Due from other governments	686,121	-	42,638	728,759
Due from other funds	11,957	-	622	12,579
Inventories - supplies and materials	-	-	15,797	15,797
Total Assets	<u>\$ 2,361,811</u>	<u>\$ 732,636</u>	<u>\$ 206,760</u>	<u>\$ 3,301,207</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Overdraft in county treasury	\$ -	\$ -	\$ 42,950	\$ 42,950
Accounts payable and other current liabilities	306,515	4,900	1,796	313,211
Due to other governments	328,961	-	-	328,961
Due to other funds	622	-	11,957	12,579
Deferred revenue	18,352	-	-	18,352
Total Liabilities	<u>654,450</u>	<u>4,900</u>	<u>56,703</u>	<u>716,053</u>
FUND BALANCES				
Nonspendable	2,000	-	15,925	17,925
Restricted	42,366	-	147,424	189,790
Assigned	714,448	727,736	151	1,442,335
Unassigned	948,547	-	(13,443)	935,104
Total Fund Balances	<u>1,707,361</u>	<u>727,736</u>	<u>150,057</u>	<u>2,585,154</u>
Total Liabilities and Fund Balances	<u>\$ 2,361,811</u>	<u>\$ 732,636</u>	<u>\$ 206,760</u>	<u>\$ 3,301,207</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO GOVERNMENT-WIDE
NET ASSETS**

*Biggs Unified
School District*

June 30, 2011

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Total Fund Balances – Governmental Funds			\$ 2,585,154
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:</p>			
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>			
Capital assets at historical cost		\$ 6,046,799	
Accumulated depreciation		<u>(3,559,713)</u>	
			2,487,086
<p>Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:</p>			
			40,309
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>			
Net OPEB obligation		437,306	
Other postemployment benefits		104,224	
Lease revenue notes		420,000	
Compensated absences		<u>34,007</u>	
			<u>(995,537)</u>
Total Net Assets – Governmental Activities			\$ 4,117,012
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The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Biggs Unified School District

Year Ended June 30, 2011	General Fund	Deferred Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,682,283	\$ -	\$ -	\$ 1,682,283
State revenue	3,262,160	657,861	20,672	3,940,693
Federal revenue	423,028	-	255,484	678,512
Interest and investment earnings	31,673	3,026	1,449	36,148
Other local revenue	260,081	-	61,005	321,086
Total Revenues	5,659,225	660,887	338,610	6,658,722
EXPENDITURES				
Current				
Instruction	3,052,714	-	-	3,052,714
Instruction-related services	454,690	-	-	454,690
Pupil services	290,592	-	280,765	571,357
Ancillary services	54,543	-	-	54,543
Community services	30,584	-	-	30,584
General administration	606,219	-	11,957	618,176
Plant services	628,380	51,121	-	679,501
Transfers between agencies	182,506	-	-	182,506
Debt service:				
Interest and other charges	11,101	-	-	11,101
Issuance costs and discounts	61,000	-	-	61,000
Capital outlay	432,107	402,742	-	834,849
Total Expenditures	5,804,436	453,863	292,722	6,551,021
Excess (Deficiency) of Revenues Over Expenditures	(145,211)	207,024	45,888	107,701
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	195,941	-	195,941
Interfund transfers out	(195,941)	-	-	(195,941)
Other sources	420,000	-	-	420,000
Total Other Financing Sources (Uses)	224,059	195,941	-	420,000
Net Change in Fund Balances	78,848	402,965	45,888	527,701
Fund Balances - Beginning of Year	1,628,513	324,771	104,169	2,057,453
Fund Balances - End of Year	\$ 1,707,361	\$ 727,736	\$ 150,057	\$ 2,585,154

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF NET CHANGE IN
FUND BALANCES TO CHANGE IN
NET ASSETS**

June 30, 2011

*Biggs Unified
School District*

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**Total Net Change in Fund Balances –
Governmental Funds**

\$ 527,701

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 834,849	
Depreciation expense	<u>(154,686)</u>	
		680,163

Debt proceeds: In governmental funds, proceeds from long-term debt are recognized as other financing sources. In the government-wide statements, proceeds from long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt, net of issue premium or discount, were:

(420,000)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period	61,000	
Issue costs amortized for the period	<u>(12,100)</u>	
		48,900

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are “available,” meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(3,575)

Balance Forward

\$ 833,189

**RECONCILIATION OF NET CHANGE IN
FUND BALANCES TO CHANGE IN
NET ASSETS**

June 30, 2011

*Biggs Unified
School District*

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Balance Brought Forward	\$ 833,189
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	(8,894)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(234,582)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time and structured legal settlements. This year, expenses incurred for such obligations were:	13,389
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	(8,591)
Change in Net Assets of Governmental Activities	\$ 594,511

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS**

*Biggs Unified
School District*

June 30, 2011	Foundation Private-Purpose Trust	Agency
ASSETS		
Cash and investments	\$ 190,872	\$ 88,864
Accounts receivable - interest	434	-
Total Assets	\$ 191,306	\$ 88,864
LIABILITIES		
Due to student groups	\$ -	\$ 88,864
NET ASSETS		
Held in trust for scholarships	\$ 191,306	

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS –
FIDUCIARY FUND**

*Biggs Unified
School District*

Year Ended June 30, 2011	Foundation Private-Purpose Trust
ADDITIONS	
Interest and investment earnings	\$ 14,872
DEDUCTIONS	
Scholarships awarded	10,740
Change in Net Assets	4,132
Net Assets - Beginning of Year	187,174
Net Assets - End of Year	\$ 191,306

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES**Accounting Policies**

The District is governed by an elected five member board. The District operates two elementary schools, one intermediate school, one high school, and one community day school in Biggs, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Implementation of New Accounting Standards**Governmental Accounting Standards Board Statement No. 54**

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governmental funds, establishes criteria for classifying fund balances into specifically defined classifications, and clarifies definitions for governmental fund types.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government
Biggs Unified School District

Discretely presented component units
Biggs Educational Foundation

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District's governing board or the component unit provides services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation. Currently, the District has no blended component units.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires organizations that are "closely related to, or financially integrated with, the primary government" be reported as component units by the primary government. Biggs Educational Foundation (the Foundation) has been determined to be a component unit of the District. However, the Foundation does not issue audited financial statements. The basic financial statements of the District do not include the financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District. The District does not issue financial statements of the financial reporting entity that include the financial data of the Foundation.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38090-38093).
2. Deferred Maintenance Fund is used to account separately for state apportionments and District contributions for deferred maintenance purposes. Expenditures in this fund are for major repairs or replacements as identified in the plan approved by the State Allocation Board (*California Education Code*, Sections 17582-17587).

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
2. Special Reserve Fund is used to account for resources designated for capital outlay projects.

Fiduciary Funds

Private-purpose trust funds are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

Agency funds are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds

General Fund

Deferred Maintenance Fund

Nonmajor Governmental Funds

Cafeteria Special Revenue Fund

Capital Facilities Fund

Special Reserve Capital Projects Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures legally cannot exceed appropriations by major object account.

Cash, Cash Equivalents, and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2011, the fair value of the County pool is 101.47% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2011, was \$10,280. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2011, was \$36,706.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2011. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2011. At June 30, 2011, no allowance for doubtful accounts was deemed necessary.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Inventories

Inventories consists of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation.

Deferred Charges

On the government-wide financial statements, lease revenue notes issuance costs are deferred as prepaid expenses and amortized over the term of the lease revenue notes using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2001.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	20
Equipment	5-20
Vehicles	5-20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Equity Classifications**Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable fund balance consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, or the laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

Committed fund balance consists of amounts that can be used only for specific purposes determined by a formal action of the District’s Board of Trustees. The District’s Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District’s Board of Trustees.

Assigned fund balance consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District’s Board of Trustees or a designee of the District’s Board of Trustees.

Unassigned fund balance consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 5% of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Revenue Limit and Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

Butte County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

Property taxes are recorded as local revenue limit sources by the District. California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character

Current (further classified by function)

Debt service

Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Reclassifications

Certain amounts of the beginning of the year fund balances have been reclassified for the adoption of GASB Statement No. 54 to conform with the 2011 presentation.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2011:

	<u>Maturities</u>	<u>Fair Value</u>
DEPOSITS (1)		\$ 186,149
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool (net of overdraft)	2.2 years average	<u>2,536,657</u>
Total Cash and Investments		2,722,806
Less: Trust fund cash and investments		190,872
Less: Agency fund cash and investments		<u>88,864</u>
Total Cash and Investments Per Government-Wide Statement of Net Assets (Net of Overdraft in County Treasury)		<u>\$ 2,443,070</u>

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code, Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the county investment pool is unrated.

Concentration of Credit Risk – Investments

California Government Code, Section 53635 places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601 places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in the bankers acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Interest Rate Risk – Investments

California Government Code, Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments grouped by maturity date at June 30, 2011, are as follows:

<u>Investment</u>	<u>Less Than Five Years</u>
County treasurer's investment pool - net of overdraft	\$ 2,536,657

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011, consists of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Interest	\$ 11,909	\$ 635
Other	45,508	-
Total Accounts Receivable	\$ 57,417	\$ 635

4. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2011, consists of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Due from federal government	\$ 88,372	\$ 39,186
Due from state government	549,617	3,452
Due from local governments	48,132	-
Total Due From Other Governments	\$ 686,121	\$ 42,638

5. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables/Payables

Interfund receivable and payable balances in the fund financial statements are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amounts</u>
General	Cafeteria Special Revenue	\$ 11,957
Cafeteria Special Revenue	General	622
Total		\$ 12,579

The specific purposes of the interfund balances are as follows:

General Fund interfund receivable from the Cafeteria Special Revenue Fund for interfund support; and

Cafeteria Special Revenue Fund interfund receivable from the General Fund for reimbursement of expenses incurred by the Cafeteria Special Revenue Fund on behalf of the General Fund.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General	Deferred Maintenance	\$ 195,941

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expand them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no transfers that were not routine or inconsistent with the activities of the funds making the transfer.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

*Biggs Unified
School District*

6. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
GOVERNMENTAL ACTIVITIES				
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 283,366	\$ -	\$ -	\$ 283,366
Construction in progress	73,853	754,682	687,949	140,586
Total Nondepreciated Capital Assets	357,219	754,682	687,949	423,952
DEPRECIATED CAPITAL ASSETS				
Buildings	3,715,845	707,949	-	4,423,794
Site improvements	193,658	7,060	-	200,718
Equipment	366,990	-	-	366,990
Vehicles	590,238	53,107	12,000	631,345
Total Depreciated Capital Assets	4,866,731	768,116	12,000	5,622,847
Totals at Historical Cost	\$ 5,223,950	\$ 1,522,798	\$ 699,949	\$ 6,046,799
LESS: ACCUMULATED DEPRECIATION				
Buildings	\$ 2,633,163	\$ 104,795	\$ -	\$ 2,737,958
Site improvements	161,027	2,260	-	163,287
Equipment	315,958	13,203	-	329,161
Vehicles	306,879	34,428	12,000	329,307
Total Accumulated Depreciation	3,417,027	154,686	12,000	3,559,713
Total Depreciated Capital Assets - Net	1,449,704	613,430	-	2,063,134
Governmental Activities Capital Assets - Net	\$ 1,806,923	\$ 1,368,112	\$ 687,949	\$ 2,487,086

Depreciation expense was charged to governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 95,028
Pupil services	27,390
General administration	8,804
Plant services	23,464
Total Depreciation Expense - Governmental Activities	\$ 154,686

7. ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consists of the following:

	General Fund	Deferred Maintenance Fund	Other Governmental Funds
Vendors	\$ 15,997	\$ 4,900	\$ 405
Salaries and benefits	290,274	-	1,391
Other	244	-	-
Total Accounts Payable	\$ 306,515	\$ 4,900	\$ 1,796

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

*Biggs Unified
School District***8. DUE TO OTHER GOVERNMENTS**

Due to other governments at June 30, 2011, consists of the following:

	General Fund
Due to state government	\$ 219,072
Due to local governments	109,889
Total Due To Other Governments	\$ 328,961

9. LEASE REVENUE NOTES

On July 14, 2010, the District issued lease revenue notes in the amount of \$420,000, with an interest rate of 2.75%. The proceeds from the notes were used to finance the Biggs High School HVAC construction project. The District expects to use critical hardship funding from the State to make the annual debt service payments. The amount of interest incurred during the year ended June 30, 2011, was \$11,101, all of which was charged to expenses. The notes call for two remaining annual interest only payments of \$11,550 beginning June 30, 2012. The principal is due and payable on June 30, 2014, along with interest of \$11,550.

10. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 25,113	\$ 8,894	\$ -	\$ 34,007	\$ -
Lease revenue notes	-	420,000	-	420,000	-
Other postemployment benefits	117,613	-	13,389	104,224	14,400
Net OPEB obligation	202,724	234,582	-	437,306	-
Total	\$ 345,450	\$ 663,476	\$ 13,389	\$ 995,537	\$ 14,400

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

*Biggs Unified
School District*

11. FUND BALANCES COMPONENTS

Fund balances as of June 30, 2011, are composed of the following:

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Other Governmental Funds</u>
NONSPENDABLE			
Reserved for revolving cash	\$ 2,000	\$ -	\$ 128
Reserved for stores inventories	-	-	15,797
Total Nonspendable	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 15,925</u>
RESTRICTED			
Restricted for capital projects	\$ -	\$ -	\$ 147,424
Restricted for federal and state categoricals	42,366	-	-
Total Restricted	<u>\$ 42,366</u>	<u>\$ -</u>	<u>\$ 147,424</u>
ASSIGNED			
Assigned for Tier III flexibility	\$ 256,014	\$ -	\$ -
Assigned for Medi-Cal administrative activities carryover and site allocations	147,547	-	-
Assigned for walnut revenue	67,883	-	-
Assigned for mandated costs	26,898	-	-
Assigned for net OPEB obligation	216,106	-	-
Assigned for deferred maintenance	-	727,736	-
Assigned for capital projects	-	-	151
Total Assigned	<u>\$ 714,448</u>	<u>\$ 727,736</u>	<u>\$ 151</u>
UNASSIGNED			
Designated for economic uncertainties	\$ 368,450	\$ -	\$ -
Designated for unrealized gain	20,120	-	-
Unassigned	559,977	-	(13,443)
Total Unassigned	<u>\$ 948,547</u>	<u>\$ -</u>	<u>\$ (13,443)</u>

12. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Program (BSSP), North Valley Schools Insurance Group (NVSIG), and Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. Condensed financial information of the JPAs for the year ended June 30, 2010, is as follows:

	BSSP	NVSIG	SELF
Total assets	\$ 15,534,166	\$ 3,925,675	\$ 196,974,000
Total liabilities	5,683,776	2,561,727	160,464,000
Net Assets (Liabilities)	\$ 9,850,390	\$ 1,363,948	\$ 36,510,000
Operating revenues	\$ 48,767,065	\$ 10,506,677	\$ 14,851,000
Operating expenses	46,837,825	10,384,768	30,536,000
Other income (expenses)	248,334	14,716	4,533,000
Excess Revenues (Expenses)	\$ 2,177,574	\$ 136,625	\$ (11,152,000)

13. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Construction Project Commitments

Construction project commitments as of June 30, 2011, are as follows:

Construction Project	Remaining Construction Commitment
Biggs Elementary/Middle School modernization	\$ 129,343
Richvale Elementary modernization	10,510
Biggs High School modernization	179,793
Total	\$ 319,646

14. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

15. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System

Plan Description

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.00% of their salary. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$173,814, \$188,451, and \$196,451, respectively, and equaled 100% of the required contributions for each year.

California Public Employees Retirement System***Plan Description***

The District contributes to the School Employer Pool under CalPERS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2010-11 fiscal year was 10.707%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$110,849, \$100,950, and \$96,432, respectively, and equaled 100% of the required contributions for each year.

16. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2010-11, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS***Plan Description***

The District provides postemployment health care benefits to all certificated employees and their dependents who retire from the District on or after attaining age 55 with at least 15 years or more of service to the District. The minimum time of coverage shall be seven years with additional coverage for each five years of additional service credit to a maximum of ten years.

The District also provides postemployment health care benefits to all classified employees and their dependents who retire from the District on or after attaining age 50 with 10 years of service to the District. The classified retirees shall be included in the program to a maximum of five years, or when eligible for Medicare, whichever comes first.

The annual District contribution during retirement is subject to a cap of 110% of the cost of insurance premiums for certificated employees at the time of retirement.

At June 30, 2011, 15 retirees met these eligibility requirements and an estimated 54 participants will be eligible in future years.

Funding Policy

The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected.

Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation

For the year ended June 30, 2011, the District’s annual OPEB cost is calculated based on the annual required contribution for the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation:

Annual required contribution	\$ 364,831
Interest on net OPEB obligation	10,136
Adjustment to annual required contribution	<u>(13,187)</u>
Annual OPEB Cost	361,780
Contributions	<u>127,198</u>
Change in Net OPEB Obligation	234,582
Net OPEB Obligation - Beginning of Year	<u>202,724</u>
Net OPEB Obligation - End of Year	<u>\$ 437,306</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011, and the preceding year were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2010	\$ 323,326	\$ 120,602	37.30%	\$ 202,724
June 30, 2011	<u>\$ 361,780</u>	<u>\$ 127,198</u>	<u>35.16%</u>	<u>\$ 437,306</u>

Fiscal year 2010 was the year of implementation of GASB Statement No. 45, and the District has elected to implement prospectively. Therefore, three-year comparative data is not available. In 2012, three-year trend information will be presented.

Funded Status and Funding Progress

The funded status of the plan as of the actuarial dates below, was as follows:

	July 1, 2007	July 1, 2010
Actuarial accrued liability (AAL)	\$ 2,652,956	\$ 3,159,505
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,652,956	\$ 3,159,505
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 3,365,997	\$ 3,043,921
UAAL as a Percentage of Covered Payroll	78.82%	103.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.00% initially, reduced by decrements to an ultimate rate of 5.00% after four years. Both rates include a 5.00% inflation assumption. The District's unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2011, was 29 years.

18. SUBSEQUENT EVENT

Construction Contract

On October 5, 2011, the District entered into a contract for architectural services in the amount of \$109,816 (12% of estimated construction costs) for modernization of the Biggs High School labs building.

Required Supplementary Information

**BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND**

*Biggs Unified
School District*

Year Ended June 30, 2011	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 1,581,184	\$ 1,624,116	\$ 1,682,283	\$ 58,167
State revenue	3,181,476	3,265,038	3,262,160	(2,878)
Federal revenue	369,019	472,545	423,028	(49,517)
Interest and investment earnings	57,000	42,000	31,673	(10,327)
Other local revenue	170,126	196,450	260,081	63,631
Total Revenues	5,358,805	5,600,149	5,659,225	59,076
EXPENDITURES				
Certificated salaries	2,130,230	2,209,637	2,168,092	41,545
Classified salaries	1,032,046	1,019,105	1,015,681	3,424
Employee benefits	1,124,924	1,117,206	1,053,869	63,337
Books and supplies	340,572	382,460	262,369	120,091
Services and other operating	651,854	708,652	629,667	78,985
Capital outlay	15,000	88,130	432,107	(343,977)
Other outgo	170,445	170,450	170,550	(100)
Debt service				
Interest and other charges	-	11,101	11,101	-
Issuance costs and discounts	-	-	61,000	(61,000)
Total Expenditures	5,465,071	5,706,741	5,804,436	(97,695)
Excess (Deficiency) of Revenues Over Expenditures	(106,266)	(106,592)	(145,211)	(38,619)
OTHER FINANCING SOURCES (USES)				
Transfers in	68,000	-	-	-
Transfers out	(255,833)	(218,735)	(195,941)	22,794
Other sources	-	-	420,000	420,000
Total Other Financing Sources (Uses)	(187,833)	(218,735)	224,059	442,794
Net Change in Fund Balances	(294,099)	(325,327)	78,848	404,175
Fund Balances - Beginning of Year	1,628,513	1,628,513	1,628,513	-
Fund Balances - End of Year	\$ 1,334,414	\$ 1,303,186	\$ 1,707,361	\$ 404,175

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –
DEFERRED MAINTENANCE FUND**

*Biggs Unified
School District*

Year Ended June 30, 2011	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget - Positive (Negative)
REVENUES				
State revenue	\$ -	\$ 657,861	\$ 657,861	\$ -
Interest and investment earnings	-	-	3,026	3,026
Total Revenues	-	657,861	660,887	3,026
EXPENDITURES				
Books and supplies	34,598	40,250	26,985	13,265
Services and other operating	200,000	158,603	24,136	134,467
Capital outlay	130,000	212,697	402,742	(190,045)
Total Expenditures	364,598	411,550	453,863	(42,313)
Excess (Deficiency) of Revenues Over Expenditures	(364,598)	246,311	207,024	(39,287)
OTHER FINANCING SOURCES (USES)				
Transfers in	152,697	195,941	195,941	-
Net Change in Fund Balances	(211,901)	442,252	402,965	(39,287)
Fund Balances - Beginning of Year	324,771	324,771	324,771	-
Fund Balances - End of Year	\$ 112,870	\$ 767,023	\$ 727,736	\$ (39,287)

See the accompanying notes to this budgetary comparison schedule.

**NOTES TO THE BUDGETARY
COMPARISON SCHEDULES**

June 30, 2011

*Biggs Unified
School District*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts budgets for the General Fund and each major special revenue fund of the District. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, expenditures exceeded appropriations by the following amounts:

	General Fund	Deferred Maintenance Fund
Capital outlay	\$ 343,977	\$ 190,045
Other outgo	\$ 100	\$ -
Debt service - issuance costs and discounts	\$ 61,000	\$ -

General Fund excess expenditures were funded by other financing sources.

Deferred Maintenance Fund excess expenditures were funded by prior year fund balance.

OTHER SUPPLEMENTARY INFORMATION SECTION

**LOCAL EDUCATION AGENCY ORGANIZATION
STRUCTURE**

June 30, 2011

*Biggs Unified
School District*

The Biggs Unified School District is located in Butte County and was established in 1906. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one intermediate school, one high school, and one community day school.

GOVERNING BOARD

Name	Office	Term Expires
Kathryn Sheppard	President	2014
Kari Wheeler	Vice President	2012
Dennis Slusser	Clerk	2014
Kris Scott	Member	2012
Terri Lattemore	Member	2014

ADMINISTRATION

Doug Kaelin
Superintendent

Pamela Ragan
Financial Officer

**SCHEDULE OF AVERAGE DAILY
ATTENDANCE**

Biggs Unified School District

June 30, 2011

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Kindergarten	34	34	34	34
Grades 1 through 3	134	134	134	134
Grades 4 through 6	120	119	120	119
Grades 7 and 8	60	59	60	59
Elementary Totals	348	346	348	346
HIGH SCHOOL				
Grades 9 through 12	172	171	172	171
Home and hospital	1	1	1	1
Community day school - all other pupils	8	8	8	8
High School Totals	181	180	181	180
ADA Totals	529	526	529	526

See the accompanying note to the other supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2011

Biggs Unified School District

	1986-87 Minutes Requirement	1982-83 Actual Minutes	2010-11 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	31,500	36,762	180	N/A	Complied
Grade 1	50,400	40,250	51,600	180	N/A	Complied
Grade 2	50,400	40,250	51,600	180	N/A	Complied
Grade 3	50,400	40,250	51,600	180	N/A	Complied
Grade 4	54,000	42,000	54,360	180	N/A	Complied
Grade 5	54,000	42,000	54,360	180	N/A	Complied
Grade 6	54,000	42,000	54,360	180	N/A	Complied
Grade 7	54,000	42,000	66,948	180	N/A	Complied
Grade 8	54,000	42,000	66,948	180	N/A	Complied
Grade 9	64,800	42,000	65,040	180	N/A	Complied
Grade 10	64,800	42,000	65,040	180	N/A	Complied
Grade 11	64,800	42,000	65,040	180	N/A	Complied
Grade 12	64,800	42,000	65,040	180	N/A	Complied

See the accompanying note to the other supplementary information.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Year Ended June 30, 2011

*Biggs Unified
School District*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 65,922
Special Education - ARRA IDEA Basic Local Assistance	84.391	15003	7,421
Total Special Education Cluster			73,343
NCLB - Title I, Part A, Basic Grants	84.010	13797	94,001
NCLB - Title II, Part A, Teacher Quality	84.367	14341	39,515
NCLB - Title II, Part A, Administrator Training	84.367	14344	1,500
NCLB - Title II, Part D, Enhancing Education Through Technology	84.318	14334	351
Vocational and Applied Technical Preparation, Title II, Sec 203	84.243	13929	4,579
NCLB - Title III, Limited English Proficiency Student Program	84.365	10084	13,959
ARRA - State Fiscal Stabilization Fund - Education State	84.394	25008	45,747
ARRA Education Jobs Fund	84.410	25152	103,935
NCLB - ARRA Title II, Part D, Enhancing Education Through Technology Formula Grants	84.386	15019	1,767
Passed Through Butte County Office of Education			
NCLB - Title I, Migrant Education Summer	84.011	10005	7,503
Total U.S. Department of Education			386,200
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Butte County Office of Education			
Schools and Roads - Grants to Counties			
	10.666	10044	2,532
Passed Through California Department of Education			
School Breakfast			
	10.553	13390	73,794
National School Lunch			
	10.555	13391	168,865
Total U.S. Department of Agriculture			245,191
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Glenn County Office of Education			
Medi-Cal Administrative Activities (MAA)			
	93.778	10060	38,042
Total Federal Programs			669,433
NONMONETARY ASSISTANCE			
Food Donation			
	10.550		12,826
Total Expenditures of Federal Awards			\$ 682,259

See the accompanying note to the other supplementary information.

**SCHEDULE OF FINANCIAL TRENDS
AND ANALYSIS**

*Biggs Unified
School District*

<u>Year Ended June 30</u>	<u>(Budget) 2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
GENERAL FUND				
Revenues and Other Financial Sources	\$ 5,236,608	\$ 6,079,225	\$ 5,534,297 *	\$ 6,306,351 *
Expenditures	5,452,286	5,804,436	5,559,404	6,018,644
Other uses and transfers out	196,569	195,941	34,634	52,617 *
Total Outgo	<u>5,648,855</u>	<u>6,000,377</u>	<u>5,594,038</u>	<u>6,071,261</u> *
Change in Fund Balance	<u>\$ (412,247)</u>	<u>\$ 78,848</u>	<u>\$ (59,741) *</u>	<u>\$ 235,090</u> *
Ending Fund Balance	<u>1,295,114</u>	<u>1,707,361</u>	<u>1,628,513 *</u>	<u>1,688,254</u> *
Available Reserves	<u>1,250,745</u>	<u>1,662,995</u>	<u>1,575,880 *</u>	<u>1,582,895</u> *
Designated for Economic Uncertainties	<u>376,450</u>	<u>368,450</u>	<u>369,858 *</u>	<u>361,126</u> *
Undesignated Fund Balance	<u>555,765</u>	<u>559,977</u>	<u>542,843</u>	<u>976,821</u>
Available Reserves as a Percentage of Total Outgo	<u>22%</u>	<u>28%</u>	<u>28% *</u>	<u>26%</u> *
Total Long-Term Debt	<u>981,137</u>	<u>995,537</u>	<u>345,450</u>	<u>153,463</u>
Average Daily Attendance at P-2	<u>507</u>	<u>529</u>	<u>558</u>	<u>563</u>

* As restated for GASB Statement No. 54 adoption to include the Special Reserve Special Revenue Fund and Special Reserve Fund for Postemployment Benefits.

The General Fund balance has increased by \$19,107 over the past two years. The fiscal year 2011-12 budget projects a decrease of \$412,247 (24.1%). For a district this size, the state recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years and anticipates incurring an operating deficit during the 2011-12 fiscal year. Total long-term debt has increased by \$842,074 over the past two years.

Average daily attendance has decreased by 34 over the past two years. The District anticipates average daily attendance to decline by 22 during fiscal year 2011-12.

See the accompanying note to the other supplementary information.

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS**

*Biggs Unified
School District*

Year Ended June 30, 2011

The fund balances for all funds, as reported in the annual financial and budget report, equal the corresponding balances in the audited financial statements.

See the accompanying note to the other supplementary information.

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2011

*Biggs Unified
School District*

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying note to the other supplementary information.

**NOTE TO THE OTHER SUPPLEMENTARY
INFORMATION**

June 30, 2011

*Biggs Unified
School District*

PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46206.

Schedule of Expenditures of Federal Awards

This schedule is prepared on the modified accrual basis of accounting. Nonmonetary assistance is reported in the schedule at the fair market value of the food commodities received and disbursed. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current-year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

OTHER REPORTS SECTION



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Biggs Unified School District
Biggs, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biggs Unified School District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. In our report, our opinion on the discretely presented component unit financial statements was adverse because the financial statements do not include the financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (items 11-1 and 11-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response; and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 9, 2011



matson and isom

Founded in 1962 by
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Biggs Unified School District
Biggs, California

Compliance

We have audited the compliance of Biggs Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, which could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 9, 2011



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Biggs Unified School District
Biggs, California

We have audited the Biggs Unified School District's (the District) compliance with the types of state compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, published by the Education Audit Appeals Panel, for the year ended June 30, 2011. The applicable state compliance requirements are identified in the table below. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No
Continuation education	10	No
Instructional time:		
School districts	6	Yes
County offices of education	3	Not applicable
Instructional materials:		
General requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive program	4	No
Gann limit calculation	1	Yes
School accountability report card	3	Yes
Public hearing requirement - receipt of funds	1	Yes

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Description	Procedures in Audit Guide	Procedures Performed
Class size reduction (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No
Districts or charter schools with only one school serving kindergarten through grade 3	4	Not applicable
After school education and safety program (including charter schools):		
General requirements	4	No
After school	4	No
Before school	5	No
Charter schools:		
Contemporaneous records of attendance	1	No
Mode of instruction	1	No
Nonclassroom-based instruction/independent study	15	No
Determination of funding for nonclassroom-based instruction	3	No
Annual instructional minutes - classroom based	3	No

Testing was not performed for independent study because the ADA for this program was below the level which requires testing. Since the District did not participate in the following programs during 2010-11, all steps related to them were not performed:

- Continuation education
- Early retirement incentive program
- Class size reduction option two classes
- After school education and safety program

Since the District did not sponsor any charter schools during 2010-11, all steps related to the following were not performed:

- Contemporaneous records of attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes – classroom based

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller’s Office, the California Department of Finance, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

December 9, 2011

FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2011

*Biggs Unified
School District*

**SECTION I
SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Qualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs	
CFDA No. 10.553	School Breakfast
CFDA No. 10.555	National School Lunch
CFDA No. 84.410	ARRA Education Jobs Fund
Threshold for distinguishing types A and B programs	\$300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for state programs	Unqualified

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2011

*Biggs Unified
School District*

**SECTION II
FINANCIAL STATEMENTS AUDIT**

**INTERNAL CONTROL (Cafeteria)
30000 (11-1)**

Significant Deficiency

Condition

For three of six months tested, the number of eligible meals reported on the cafeteria reimbursement claim forms did not agree to the monthly meal count records due to clerical errors.

Criteria

To be eligible for federal and state reimbursement, meals must be supported by accurate meal counts and accounting records indicating the number of meals served by category and type.

Effect

The District has understated meal counts as follows:

	Paid	Reduced	Free
LUNCH			
Reported	1,958	804	16,636
Actual	2,006	820	17,167
Understatement	(48)	(16)	(531)
BREAKFAST			
Reported	1,052	256	11,075
Actual	1,076	297	13,803
Understatement	(24)	(41)	(2,728)
MEAL SUPPLEMENTS			
Reported			10,179
Actual			10,179
Understatement			-

As a result of inaccurate reporting of meal counts, federal revenue is understated by \$6,373 and state revenue is understated by \$728.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2011

*Biggs Unified
School District*

Recommendation

We recommend that all reimbursement claim forms be reviewed for accuracy by someone independent of the preparation of the claim forms prior to submitting the forms to the State.

Response

The District has filed amended claim forms with Child Nutrition Services to agree to monthly meal count records and will implement procedures during the 2011-12 fiscal year to comply with the recommendation.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2011

*Biggs Unified
School District*

INTERNAL CONTROL (Student Body – Biggs High School)

30000 (11-2)

Significant Deficiency

Condition

During our test of internal controls over student body cash receipts, we noted that two of the five cash receipts we selected for testing were not deposited in a timely manner.

Criteria

All student body cash and checks received should be deposited in a timely manner.

Effect

Without strengthening internal controls over cash receipts, student body assets may not be properly safeguarded.

Recommendation

Procedures should be implemented to strengthen internal controls over student body cash receipts.

Response

The District's administration will implement procedures during the 2011-12 fiscal year to comply with the recommendation.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2011

*Biggs Unified
School District*

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

None.

Not applicable: there are no current year findings related to federal awards.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2011

*Biggs Unified
School District*

STATE COMPLIANCE (Instructional Materials Funding Realignment Program)

70000 (10-1)

Significant Deficiency

Condition

The District did not hold a public hearing to make a determination whether each pupil in the District would have enough textbooks or instructional materials as required by *California Education Code*, Section 60119.

Criteria

Eligibility to qualify for an allowance from the Instructional Materials Funding Realignment Program includes compliance with the requirements established by *California Education Code*, Section 60119.

Effect

The District is required to return to the California Department of Education funding totaling \$34,495 that was received from the Instructional Materials Funding Realignment Program.

Recommendation

Compliance with provisions of *California Education Code*, Section 60119 is a condition of receiving funds under the Instructional Materials Funding Realignment Program. We recommend that the District return to the California Department of Education funding totaling \$34,495 that was received from the Instructional Materials Funding Realignment Program. Further, we recommend that the District adopt procedures to ensure that a public hearing is held annually as required by the provisions of *California Education Code*, Section 60119.

Current Status

Fully implemented.