

**BIGGS UNIFIED SCHOOL DISTRICT  
COUNTY OF BUTTE  
BIGGS, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2017**



# BIGGS UNIFIED SCHOOL DISTRICT

JUNE 30, 2017

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## TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Position - Fiduciary Funds	20
Statement of Changes in Net Position - Fiduciary Funds	21
Notes to the Basic Financial Statements	22
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Cafeteria Fund	56
Schedule of Funding Progress	57
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	58
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	59

**BIGGS UNIFIED SCHOOL DISTRICT**

**JUNE 30, 2017**

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TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>	
Schedule of Contributions - CalSTRS	60
Schedule of Contributions - CalPERS	61
Notes to Required Supplementary Information	62
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Trustees/Administration	65
Schedule of Average Daily Attendance	66
Schedule of Instructional Time	67
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	68
Schedule of Financial Trends and Analysis	69
Notes to Supplementary Information	70
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	77
Section II - Financial Statement Findings	78
Section III - State Award Findings and Questioned Costs	81
Status of Prior Year Recommendations	82

## FINANCIAL SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Biggs Unified School District  
Biggs, California

### **Report on the Financial Statements**

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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require 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, liabilities, net position, revenues, and expenses of the discretely presented component unit are not reported. The amounts by which this departure would affect the assets, liabilities, net position, revenues and expenses has not been determined in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, 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 Biggs Unified School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 4 through 13, the budgetary comparison information on pages 55 and 56, schedule of funding progress on page 57, schedules of proportionate share of the net pension liability on pages 58 and 59, and schedules of contributions on pages 60 and 61 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 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.

Other Matters (Concluded)

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Biggs Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of Biggs Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Biggs Unified School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2017

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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This section of Biggs Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved during the course of the year as the total net position increased to \$209,595.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$457,984.
- Net capital assets increased \$525,188 due to the current year addition of \$726,029 of new capital assets and improvements; the current year disposition of capital assets with a net book value of \$8,948, and the current year recognition of \$191,893 of depreciation expense.
- Total long-term liabilities increased \$1,115,387, due primarily to the current year increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) increased 12 ADA from the prior fiscal year.
- The District received one-time funds for outstanding mandate claims totaling \$121,089
- The District's General Fund produced an operating surplus of \$202,803, during fiscal year 2016-17, but reported a \$226,660 decrease in its available reserves due to a larger portion of the ending fund balance being assigned for specific future uses.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2016-17, General Fund expenditures and other financing uses totaled \$7,733,894. At June 30, 2017, the District has available reserves of \$979,896 in the General Fund, which represents a reserve of 12.67%.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements, when applicable.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

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**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District as a Whole (Concluded)**

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The basic services provided by the District, such as regular education and administration, are included here, and are primarily financed by property taxes. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state programs.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

**Reporting the District's Most Significant Funds**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of Biggs Unified School District are the General Fund, Cafeteria Fund and Capital Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds:*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Fiduciary Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**GOVERNMENTAL ACTIVITIES**

The District's financial status improved during the course of the year as the total net position increased to \$209,595.

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2016	2017
<b><u>Assets</u></b>		
Deposits and Investments	\$ 2,906,764	\$ 3,269,524
Receivables	289,514	205,569
Store Inventory	9,760	4,801
Capital Assets, net	2,696,280	3,221,468
Total Assets	5,902,318	6,701,362
<b><u>Deferred Outflows of Resources</u></b>		
Pension Deferrals	631,998	1,319,417
<b><u>Liabilities</u></b>		
Current	455,944	591,388
Long-term	5,867,308	7,000,667
Total Liabilities	6,323,252	7,592,055
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals	459,453	219,129
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,696,280	3,221,468
Restricted	545,102	432,032
Unrestricted (Deficit)	(3,489,771)	(3,443,905)
Total Net Position (Deficit)	\$ (248,389)	\$ 209,595
<i>Table includes financial data of the combined governmental funds.</i>		

The Unrestricted deficit balances, presented above, are due primarily to the fact that the District is now required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$457,984.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	Governmental Activities	
	2016	2017
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 14,102	\$ 7,357
Operating Grants & Contributions	1,062,888	1,373,067
<b><u>General Revenues</u></b>		
Taxes Levied	2,278,538	2,421,868
Federal & State Aid	3,740,124	3,708,996
Interest & Investment Earnings	12,782	25,412
Miscellaneous	401,503	675,177
Total Revenues	<u>7,509,937</u>	<u>8,211,877</u>
<b><u>Expenses</u></b>		
Instruction	4,167,294	4,489,749
Instruction-Related Services	538,146	562,387
Pupil Services	729,830	735,750
General Administration	733,428	793,490
Plant Services	872,569	864,237
Ancillary Services	54,144	55,498
Community Services	38,702	51,134
Other Outgo	207,631	201,648
Total Expenses	<u>7,341,744</u>	<u>7,753,893</u>
Change in Net Position	168,193	457,984
Net Position, Beginning (Deficit)	<u>(416,582)</u>	<u>(248,389)</u>
Net Position, Ending (Deficit)	<u>\$ (248,389)</u>	<u>\$ 209,595</u>
<i>Table includes financial data of the combined governmental funds.</i>		

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

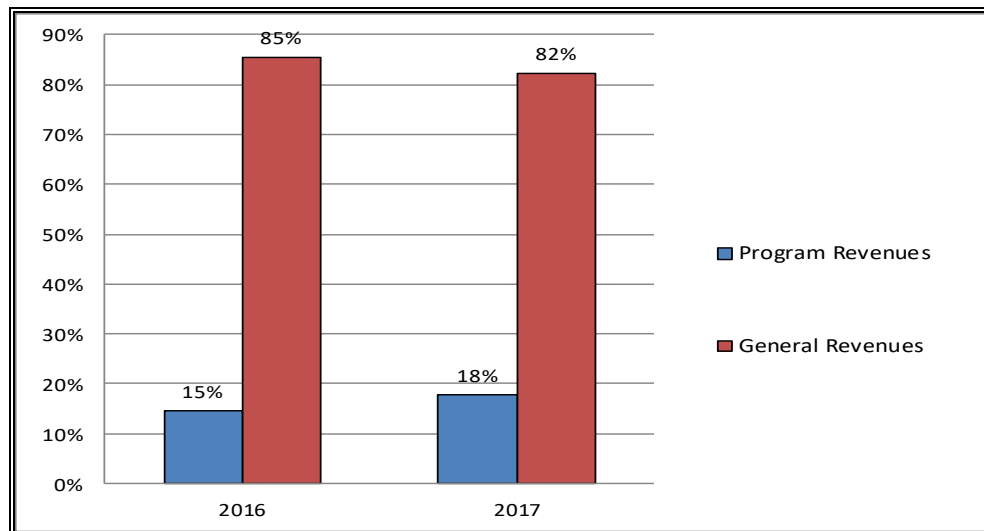
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

<b><u>Comparative Schedule of Costs of Services</u></b>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2017	2016	2017
Instruction	\$ 4,167,294	\$ 4,489,749	\$ 3,483,813	\$ 3,498,962
Instruction-Related Services	538,146	562,387	518,531	537,870
Pupil Services	729,830	735,750	466,347	488,056
General Administration	733,428	793,490	687,428	739,140
Plant Services	872,569	864,237	869,412	863,125
Ancillary Services	54,144	55,498	53,507	54,741
Community Services	38,702	51,134	38,702	51,134
Other Outgo	207,631	201,648	147,014	140,441
Totals	<u>\$ 7,341,744</u>	<u>\$ 7,753,893</u>	<u>\$ 6,264,754</u>	<u>\$ 6,373,469</u>

*Table includes financial data of the combined governmental funds.*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$6,373,469 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 18% of the total cost of providing the services listed above, while the remaining 82% was financed by the general revenues of the District.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

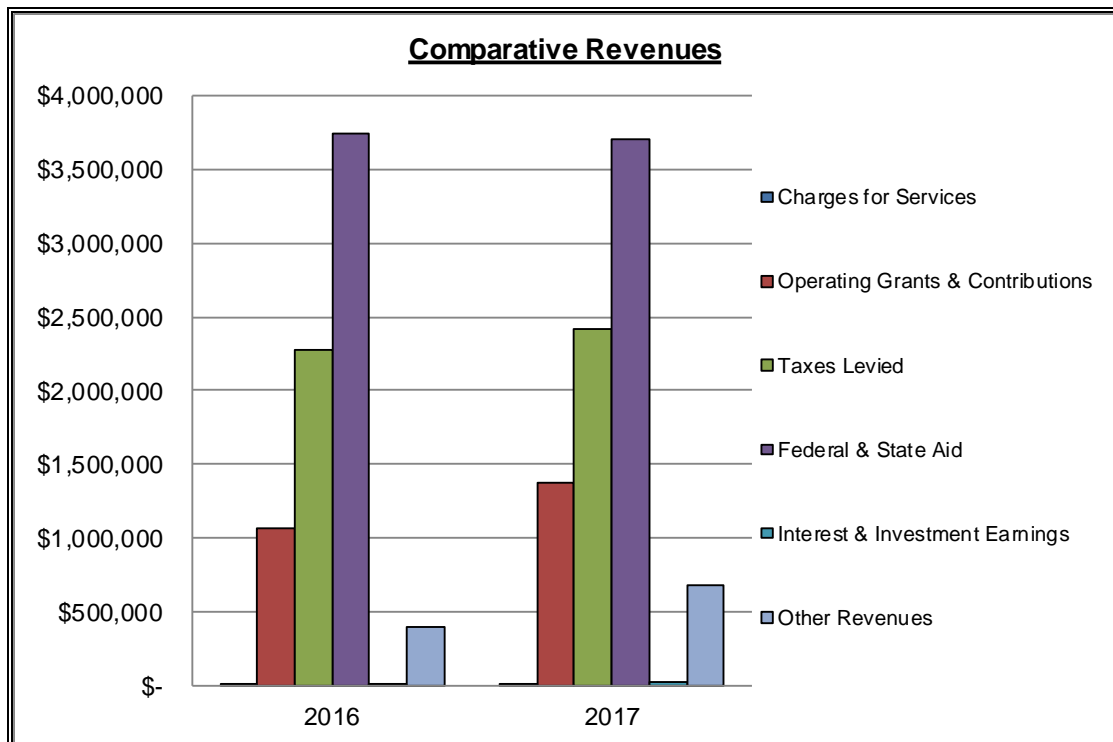
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Revenues For Governmental Functions**

	FYE 2016 Amount	Percent of Total	FYE 2017 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 14,102	0.19%	\$ 7,357	0.09%
Operating Grants & Contributions	1,062,888	14.15%	1,373,067	16.72%
<u>General Revenues</u>				
Taxes Levied	2,278,538	30.34%	2,421,868	29.49%
Federal & State Aid	3,740,124	49.80%	3,708,996	45.17%
Interest & Investment Earnings	12,782	0.17%	25,412	0.31%
Other Revenues	401,503	5.35%	675,177	8.22%
Total Revenues	<u>\$ 7,509,937</u>	<u>100.00%</u>	<u>\$ 8,211,877</u>	<u>100.00%</u>

*Table includes financial data of the combined governmental funds.*



**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

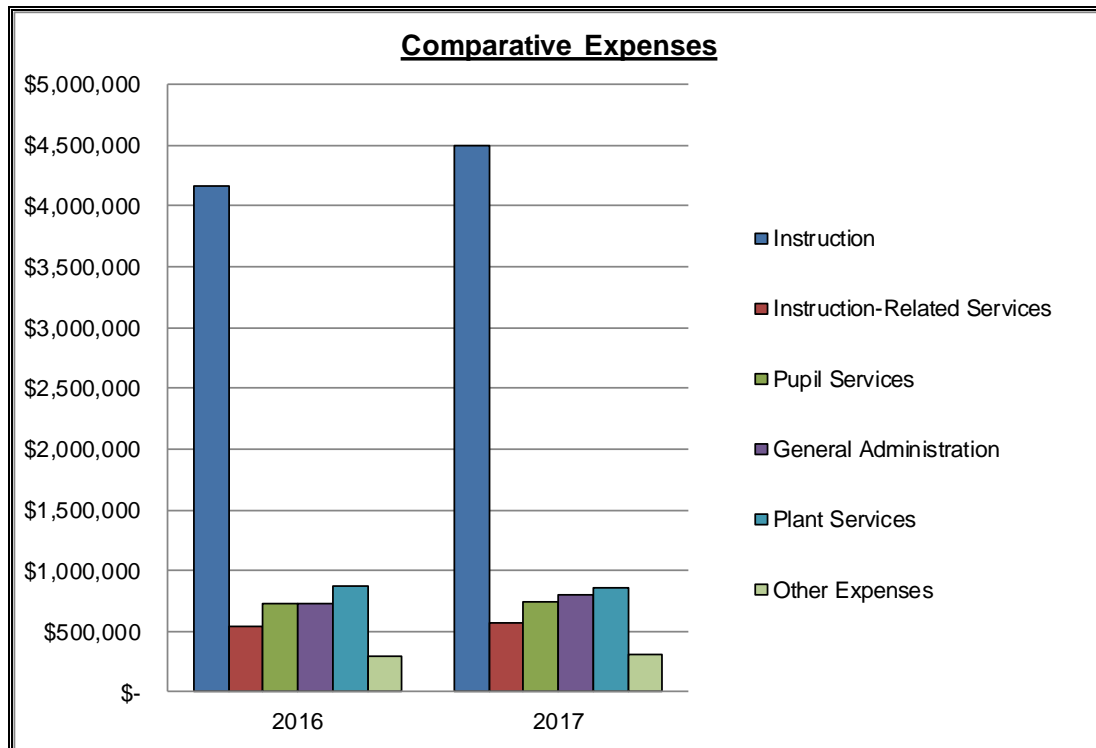
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Schedule of Expenses For Governmental Functions**

	FYE 2016 Amount	Percent of Total	FYE 2017 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 4,167,294	56.76%	\$ 4,489,749	57.90%
Instruction-Related Services	538,146	7.33%	562,387	7.25%
Pupil Services	729,830	9.94%	735,750	9.49%
General Administration	733,428	9.99%	793,490	10.23%
Plant Services	872,569	11.89%	864,237	11.15%
Other Expenses	300,477	4.09%	308,280	3.98%
Total Expenses	<u>\$ 7,341,744</u>	<u>100.00%</u>	<u>\$ 7,753,893</u>	<u>100.00%</u>

*Table includes financial data of the combined governmental funds.*



**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONCLUDED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2016	2017
Land	\$ 283,366	\$ 283,366
Sites and Improvements	434,204	777,553
Buildings and Improvements	4,445,390	4,720,927
Furniture and Equipment	1,211,820	1,319,609
Work-in-Progress	616,058	589,113
Subtotals	6,990,838	7,690,568
Less: Accumulated Depreciation	(4,294,558)	(4,469,100)
Capital Assets, net	<u>\$ 2,696,280</u>	<u>\$ 3,221,468</u>

Net capital assets increased \$525,188 due to the current year addition of \$726,029 of new capital assets and improvements; the current year disposition of capital assets with a net book value of \$8,948, and the current year recognition of \$191,893 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2016	2017
Compensated Absences	\$ 33,704	\$ 25,930
Early Retirement Incentives	30,198	20,000
Other Postemployment Benefits	1,184,314	1,261,454
Net Pension Liability - CalSTRS	3,195,863	3,826,274
Net Pension Liability - CalPERS	1,467,131	1,892,939
Totals	<u>\$ 5,911,210</u>	<u>\$ 7,026,597</u>

Total long-term liabilities increased \$1,115,387 due primarily to the current year increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**BIGGS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2016	Fund Balances June 30, 2017	Increase (Decrease)
General	\$ 2,360,590	\$ 2,563,393	\$ 202,803
Cafeteria	72,289	19,134	(53,155)
Capital Facilities	361,117	331,909	(29,208)
Totals	<u>\$ 2,793,996</u>	<u>\$ 2,914,436</u>	<u>\$ 120,440</u>

The fund balance of the General Fund increased \$202,803, and the combined fund balances of all other District governmental funds decreased \$82,363.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original budget presented on page 55 includes only new revenues for fiscal year 2016-17.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its eighth year of expansion, lasting three years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**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, contact the District Office, Biggs Unified School District, 300 B Street, Biggs, California 95917.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 3,269,524
Receivables (Note 3)	205,569
Stores Inventory (Note 1H)	4,801
Capital Assets (Note 5)	
Land	283,366
Sites and Improvements	777,553
Buildings and Improvements	4,720,927
Furniture and Equipment	1,319,609
Work-in-Progress	589,113
Less: Accumulated Depreciation	(4,469,100)
Total Assets	<u>6,701,362</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension Deferrals (Note 8)	<u>1,319,417</u>
Total Deferred Outflows of Resources	<u>1,319,417</u>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	454,709
Unearned Revenue (Note 1H)	110,749
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	25,930
<i>Portion Due or Payable After One Year:</i>	
Early Retirement Incentives (Note 6)	20,000
Other Post Employment Benefits (Note 7)	1,261,454
Net Pension Liabilities (Note 8)	5,719,213
Total Liabilities	<u>7,592,055</u>
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 8)	<u>219,129</u>
Total Deferred Inflows of Resources	<u>219,129</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,221,468
Restricted:	
For Capital Projects	331,909
For Educational Programs	78,989
For Other Purposes	21,134
Unrestricted (Deficit)	(3,443,905)
Total Net Position	<u><u>\$ 209,595</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 4,489,749		\$ 990,787		\$ (3,498,962)
Instruction-Related Services:					
Supervision of Instruction	49,868		6,882		(42,986)
Instructional Library and Technology	39,990				(39,990)
School Site Administration	472,529		17,635		(454,894)
Pupil Services:					
Home-to-School Transportation	270,516				(270,516)
Food Services	343,821	\$ 7,103	236,115		(100,603)
Other Pupil Services	121,413		4,476		(116,937)
General Administration:					
Data Processing Services	103,500				(103,500)
Other General Administration	689,990	254	54,096		(635,640)
Plant Services	864,237		1,112		(863,125)
Ancillary Services	55,498		757		(54,741)
Community Services	51,134				(51,134)
Other Outgo	201,648		61,207		(140,441)
Total Governmental Activities	<u>\$ 7,753,893</u>	<u>\$ 7,357</u>	<u>\$ 1,373,067</u>	<u>\$ 0</u>	<u>(6,373,469)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					2,421,868
Federal and State Aid - Unrestricted					3,708,996
Interest and Investment Earnings					25,412
Miscellaneous					675,177
Total General Revenues					6,831,453
Change in Net Position					457,984
Net Position (Deficit) - July 1, 2016					(248,389)
Net Position - June 30, 2017					\$ 209,595

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>General</b>	<b>Cafeteria</b>	<b>Capital Facilities</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Deposits and Investments (Note 2)	\$ 2,935,730	\$ 2,742	\$ 331,052	\$ 3,269,524
Receivables (Note 3)	175,201	29,511	857	205,569
Due from Other Funds (Note 4)	19,339	4,472		23,811
Stores Inventory (Note 1H)		4,801		4,801
	<u>3,130,270</u>	<u>41,526</u>	<u>331,909</u>	<u>3,503,705</u>
Total Assets	<u>\$ 3,130,270</u>	<u>\$ 41,526</u>	<u>\$ 331,909</u>	<u>\$ 3,503,705</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 451,656	\$ 3,053		\$ 454,709
Due to Other Funds (Note 4)	4,472	19,339		23,811
Unearned Revenue (Note 1H)	110,749			110,749
	<u>566,877</u>	<u>22,392</u>		<u>589,269</u>
Total Liabilities	<u>566,877</u>	<u>22,392</u>		<u>589,269</u>
Fund Balances: (Note 10)				
Nonspendable	2,000	6,699		8,699
Restricted	78,989	12,435	\$ 331,909	423,333
Assigned	1,502,508			1,502,508
Unassigned	979,896			979,896
	<u>2,563,393</u>	<u>19,134</u>	<u>331,909</u>	<u>2,914,436</u>
Total Fund Balances	<u>2,563,393</u>	<u>19,134</u>	<u>331,909</u>	<u>2,914,436</u>
Total Liabilities and Fund Balances	<u>\$ 3,130,270</u>	<u>\$ 41,526</u>	<u>\$ 331,909</u>	<u>\$ 3,503,705</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF POSITION**  
**JUNE 30, 2017**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>2,914,436</b>
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceed accumulated depreciation was:

Capital Assets	\$ 7,690,568	
Accumulated Depreciation	<u>(4,469,100)</u>	
		3,221,468

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Net deferred outflows and inflows are:

1,100,288

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$ 25,930	
Early Retirement Incentives	20,000	
Other Post Employment Benefits	1,261,454	
Net Pension Liability - CalSTRS	3,826,274	
Net Pension Liability - CalPERS	<u>1,892,939</u>	
		<u>(7,026,597)</u>

<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>209,595</u></b>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 3,418,589			\$ 3,418,589
Local Taxes	2,421,868			2,421,868
Total LCFF Sources	5,840,457			5,840,457
Federal Revenue	456,235	\$ 227,456		683,691
State Revenue	924,682	17,124		941,806
Local Revenue	715,323	7,321	\$ 23,227	745,871
Total Revenues	7,936,697	251,901	23,227	8,211,825
<b><u>Expenditures</u></b>				
Current:				
Instruction	4,210,185			4,210,185
Supervision of Instruction	49,165			49,165
Instructional Library and Technology	39,990			39,990
School Site Administration	461,995			461,995
Home-To-School Transportation	251,753			251,753
Food Services		334,114		334,114
Other Pupil Services	117,781			117,781
Data Processing Services	91,762			91,762
Other General Administration	662,911	11,927		674,838
Plant Services	830,336		4,597	834,933
Facilities Acquisition and Construction	669,390		47,838	717,228
Ancillary Services	54,859			54,859
Community Services	51,134			51,134
Other Outgo	201,648			201,648
Total Expenditures	7,692,909	346,041	52,435	8,091,385
Excess of Revenues Over (Under) Expenditures	243,788	(94,140)	(29,208)	120,440
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In		40,985		40,985
Operating Transfers Out	(40,985)			(40,985)
Total Other Financing Sources (Uses)	(40,985)	40,985	0	0
Net Change in Fund Balances	202,803	(53,155)	(29,208)	120,440
Fund Balances - July 1, 2016	2,360,590	72,289	361,117	2,793,996
Fund Balances - June 30, 2017	\$ 2,563,393	\$ 19,134	\$ 331,909	\$ 2,914,436

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>120,440</b>
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year:

Capital Outlays	\$	717,029	
Depreciation Expense		(191,893)	
			525,136

Compensated absences (vacations): In governmental funds, compensated absences are measured by the amounts paid during the fiscal year. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

7,774

Early Retirement Incentives: In governmental funds, early retirement incentives are recognized when employer contributions are made. In the statement of activities, early retirement incentive costs are recognized on the accrual basis. This year, the difference between early retirement incentive costs and actual employer contributions was:

10,198

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:

(77,140)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(128,476)

Donated capital assets: In Governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increased to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:

9,000

Gain or loss from disposal of capital assets: In Governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting loss is:

(8,948)

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>457,984</b>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

	<b>Private-Purpose Trust</b>		<b>Total Fiduciary Funds</b>
	<b>Scholarship Funds</b>	<b>Agency Funds</b>	
<b><u>Assets</u></b>			
Deposits and Investments (Note 2)	\$ 652,215	\$ 79,836	\$ 732,051
Receivables	358		358
Total Assets	652,573	79,836	732,409
<b><u>Liabilities</u></b>			
Due to Student Groups		79,836	79,836
Total Liabilities	0	79,836	79,836
<b><u>Net Position</u></b>			
Restricted	652,573	0	652,573
Total Net Position	\$ 652,573	\$ 0	\$ 652,573

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Private-Purpose Trust</b>
	<b>Scholarship Funds</b>
<b><u>Additions</u></b>	
Change in Fair Market Value of Investments	\$ 23,124
Interest	13,969
Total Additions	37,093
<b><u>Deductions</u></b>	
Contract Services	5,415
Total Deductions	5,415
Change in Net Position	31,678
<b><u>Net Position</u></b>	
Net Position - July 1, 2016 (As Restated - Note 15)	620,895
Net Position - June 30, 2017	\$ 652,573

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Biggs Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees elected by registered voters of the District, which comprises an area in Butte County. The District was established in 1906 and serves students in kindergarten through grade twelve.

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 accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Biggs Educational Foundation, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, these financial statements do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The District has determined that the cost of including audited financial data, of its legally separate component unit, in the financial statements of the District, exceeds the benefits to be received by including such data. In addition, since the District's various oversight agencies do not require such data to be included, the District has elected to omit such data from its financial statements.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units, when applicable. The effect of interfund activity, within the governmental type activities columns, has been removed from these statements.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

*Fund Financial Statements:*

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue:**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

**Expenses/Expenditures:**

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following fund types:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Capital Projects Funds* - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major funds and fiduciary funds as follows:

**Major Governmental Funds:**

*General Fund* is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

*Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

*Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**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. For financial reporting purposes, the financial activities and balances of the Nannie Grace Caldwell and Hilda H. Seely Trust Under Will investment accounts, which are both managed and held by Wells Fargo Bank N. A., for the benefit of the Biggs Unified School District, have been included in the District's Private Purpose Trust Fund. The accounts have been included due to the fact that certain members of the District's Board of Trustees are also members on the "Caldwell-Pitts, McKasson, Doty & Thomas Scholarship Fund Board" that have the ability to access the net income and principal of the account, as long as the funds are distributed to eligible recipients in the form of Caldwell-Pitts, McKasson, Doty & Thomas Scholarships.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Concluded)**

**Fiduciary Funds (Concluded):**

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund to account for the student body activities at Biggs Elementary School and Biggs High School. The student body funds are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

**E. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental 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 Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund and Cafeteria Fund as required supplementary information on pages 55 and 56.

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 cannot legally exceed appropriations by major object account.

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and all other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1. Deposits and Investments**

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)**

**1. Deposits and Investments (Concluded)**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized. The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**2. Stores Inventory**

Inventories are recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

**3. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-20
Buildings and Improvements	20-50
Furniture and Equipment	5-20

**4. Deferred Outflows/Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)**

**4. Deferred Outflows/Inflows of Resources (Concluded)**

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**5. Unearned Revenue**

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

**6. Compensated Absences**

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**7. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**8. Long-term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. In fund financial statements, the face amount of the obligation is reported as other financing sources in the year issued.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)**

**9. Fund Balance Classification**

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District's minimum fund balance policy requires a reserve for economic uncertainties of no less than 4% of total General Fund expenditures and other financing uses.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

**10. Local Control Funding Formula (LCFF)/Property Tax**

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

The County of Butte is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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 alternative 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.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 173,936
Cash in Revolving Fund	\$ 3,898	
Investments		422,208
County Pool Investments	<u>3,265,626</u>	<u>135,907</u>
Total Deposits and Investments	<u>\$ 3,269,524</u>	<u>\$ 732,051</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

Investments consists of a variety of assets held in the Nannie Grace Caldwell and Hilda H. Seely, Trust Under Will investment accounts, which are managed and held by Wells Fargo Bank N. A.. Since the financial institution trustee is responsible for making all investment decisions for both accounts, these financial statements do not include any information regarding the individual investments held within each account.

**County Pool Investments**

County pool investments consist of District cash held by the Butte County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorization**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. The District manages its exposure to interest rate risk by investing in the Butte County Investment Pool.

**Weighted Average Maturity**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

**Governmental Activities:**

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 3,265,626	\$ 3,258,089	660

**Fiduciary Activities:**

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 135,907	\$ 135,593	660

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

**Governmental Activities:**

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2017</u>
County Pool Investments	\$ 3,265,626	\$ 3,258,089	Unrated

**Fiduciary Activities:**

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2017</u>
County Pool Investments	\$ 135,907	\$ 135,593	Unrated

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

**Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Butte County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

Fair Value Measurements (Concluded)

Governmental Activities

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 3,258,089</u>	<u>\$ 3,258,089</u>

Fiduciary Activities

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 135,593</u>	<u>\$ 135,593</u>

All assets have been valued using a market approach, with quoted market prices.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2017 consist of the following:

	<u>General Fund</u>	<u>Cafeteria Funds</u>	<u>Capital Facilities Fund</u>	<u>Total Governmental Activities</u>
Federal Government	\$ 39,844	\$ 29,411		\$ 69,255
State Government	26,332			26,332
Local Government	25,000			25,000
Interest	7,046	3	\$ 857	7,906
Miscellaneous	<u>76,979</u>	<u>97</u>		<u>77,076</u>
Totals	<u>\$ 175,201</u>	<u>\$ 29,511</u>	<u>\$ 857</u>	<u>\$ 205,569</u>

**NOTE 4 - INTERFUND ACTIVITIES**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**A. Due From/Due To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 19,339	\$ 4,472
Cafeteria	<u>4,472</u>	<u>19,339</u>
Totals	<u>\$ 23,811</u>	<u>\$ 23,811</u>

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)**

**A. Due From/Due To Other Funds (Concluded)**

All interfund receivables and payables are scheduled to be paid within one year.

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2016-17 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 40,985
Cafeteria	\$ 40,985	
Totals	\$ 40,985	\$ 40,985

Transfer of \$40,985 from General Fund to Cafeteria Fund to supplement child nutrition program.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2017, is presented below:

	Balances <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2017</u>
Land	\$ 283,366			\$ 283,366
Sites and Improvements	434,204	\$ 343,349		777,553
Buildings and Improvements	4,445,390	301,836	\$ 26,299	4,720,927
Furniture and Equipment	1,211,820	107,789		1,319,609
Work-in-Progress	616,058	222,053	248,998	589,113
Totals at Historical Cost	6,990,838	975,027	275,297	7,690,568
Less Accumulated Depreciation for:				
Sites and Improvements	254,900	37,942	17,351	275,491
Buildings and Improvements	3,173,479	87,023		3,260,502
Furniture and Equipment	866,179	66,928		933,107
Total Accumulated Depreciation	4,294,558	191,893	17,351	4,469,100
Governmental Activities				
Capital Assets, net	\$ 2,696,280	\$ 783,134	\$ 257,946	\$ 3,221,468

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 123,441
Pupil Services	28,969
General Administration	20,652
Plant Services	18,831
Total	\$ 191,893

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 6 - EARLY RETIREMENT INCENTIVES**

In addition to the post employment benefits described in Note 7, the District has negotiated early retirement incentive agreements with certain individuals, which provide retiree health benefits that are above and beyond the benefits described in Note 7. As of June 30, 2017, there was one individual receiving benefits under these additional agreements.

Future estimated payments required to provide these benefits are as follows:

Year Ended <u>June 30</u>	Early Retirement <u>Incentives</u>
2018	\$ 0
2019	0
2020	0
2021	0
2022	0
2023-27	<u>20,000</u>
Total	<u>\$ 20,000</u>

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

From an accrual accounting perspective, the cost of post employment healthcare benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

*Plan Description:* The plan is a single employer defined benefit healthcare plan administered by the District, as follows:

Certificated employees hired prior to January 1, 2013 may retire with District-paid medical, dental, and vision benefits after the later of age 55 and 15 years of District service credit. Benefits are paid for 7 years plus one additional year for each 5 years of service credit in excess of 15, to a maximum of 10 years of District-paid benefits. The annual District contribution during retirement is subject to a cap of 100% of the cost of insurance premiums at the time of retirement. In applying the 100% rule, each coverage (i.e., medical, dental and vision) is capped separately and then summed to determine the total District contribution. Certificated employees hired on or after January 1, 2013 become eligible for retiree health benefits after the later of age 55 and 20 years of District service, and benefits are paid for the lesser of 7 years or until age 65 (Medical eligible age).

Classified, Confidential, and Classified Management employees may retire with District-paid medical benefits after the later of age 50 and 10 years of continuous service (55 and 15 for Classified employee hired on or after January 1, 2014). Benefits are paid for the lesser of 5 years or until age 65 (Medicare eligibility age). If the retiree dies before the end of the prescribed benefit period, the surviving spouse will be entitled to any unused benefits. District contributions are capped at \$15,000 per year for employees who retire on or before June 30, 2015, and \$12,000 per year for employees who retire after June 30, 2015.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Plan Description (Concluded):*

Classified employees hired on or after January 1, 2014 and Confidential employees hired on or after January 2013 are subject to a cap of \$8,400 regardless of date of retirement.

Certificated Management employees negotiate their own retiree health packages. Contracts currently in effect guarantee benefits at least as valuable as those provided to Certificated unit members.

The District had 10 retired employees receiving benefits and 60 active employees, as of July 1, 2016, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

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. The District currently pays for post employment healthcare benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of \$1,261,454 for the year ended June 30, 2017.

Annual required contribution (ARC)	\$ 265,209
Interest on Net OPEB Obligation	47,373
Adjustment to ARC	<u>(68,489)</u>
Annual OPEB cost (expense)	244,093
Contributions for the fiscal year	<u>(166,953)</u>
Increase in Net OPEB Obligation	77,140
Net OPEB Obligation - June 30, 2016	<u>1,184,314</u>
Net OPEB Obligation - June 30, 2017	<u><u>\$ 1,261,454</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

*Annual OPEB Cost and Net OPEB Obligation (Concluded):*

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 244,093	68.40%	\$ 1,261,454
June 30, 2016	298,906	48.83%	1,184,314
June 30, 2015	300,713	66.29%	1,031,368

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability or benefits.

In the July 1, 2016, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized using the level dollar method over 30 years. The valuation utilized a 4% discount rate and a 4% expected long-term rate of return on District assets. The valuation assumes an initial medical rate increase of 8% which grades down to an ultimate rate of 5% after four years. Dental premiums are assumed to increase by 4% per year.

**NOTE 8 - RETIREMENT PLANS**

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expenses in the accompanying government-wide financial statements, as follows:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expenses
CalSTRS	\$ 3,826,274	\$ 733,091	\$ 97,513	\$ 573,842
CalPERS	1,892,939	586,326	121,616	228,437
Totals	<u>\$ 5,719,213</u>	<u>\$ 1,319,417</u>	<u>\$ 219,129</u>	<u>\$ 802,279</u>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public-school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a stand-alone comprehensive annual financial report available to the public that can be found on the CalSTRS website.

**Benefits Provided**

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity of the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on a members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

**CalSTRS 2% at 60**

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**Benefits Provided (Concluded)**

**CalSTRS 2% at 60 (Concluded)**

Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service a member could earn in a school year.

**CalSTRS 2% at 62**

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service a member could earn in a school year.

**Contributions**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

**Members:** Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2016-17. The rate imposed on CalSTRS 2% at 62 members is based assuming no change in the normal cost of benefits.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

*Contributions (Concluded)*

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 12.58% of applicable member earnings for fiscal year 2016-17. The District contributed \$322,471 to the plan for the fiscal year ended June 30, 2017.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469 - Bonta, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2017 was 4.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 8.828% for the fiscal year ended June 30, 2017.

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 3,826,274
State's proportionate share of the net pension liability associated with the District	<u>2,178,230</u>
Total net pension liability attributed to District	<u><u>\$ 6,004,504</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. The District's proportionate share of the net pension liability as of June 30, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.0047%
Proportion - June 30, 2016	<u>0.0047%</u>
Change - Increase (Decrease)	<u><u>0.0000%</u></u>

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$573,842 and revenue and expense of \$177,603 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 322,471	
Differences between expected and actual experience		\$ 93,511
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	92,915	4,002
Net differences between projected and actual earnings on plan investments	317,705	
Totals	<u>\$ 733,091</u>	<u>\$ 97,513</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2018	\$ 14,132
2019	14,132
2020	177,889
2021	114,944
2022	848
2023	(8,838)

Differences between expected and actual experience, changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2016. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**Actuarial Methods and Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return <sup>1</sup>	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5% assumed investment rate of return for funding purposes, which is net of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS specific experience through June 30, 2015. RP2000 series tables are an industry standard set of mortality rates published in 2000 by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis and June 30, 2015 Actuarial Program Valuations for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**Actuarial Methods and Assumptions (Concluded)**

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	<u>100%</u>	

\* 20-year geometric average

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases as per AB 1469 - Bonta. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the current discount rate of 7.60%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	<u>Discount Rate 1% Decrease 6.60%</u>	<u>Discount Rate Current Rate 7.60%</u>	<u>Discount Rate 1% Increase 8.60%</u>
District's proportionate share of the net pension liability	\$ 5,506,871	\$ 3,826,274	\$ 2,430,468

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Concluded)**

**Pension Plan's Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description, Benefits Provided, and Employees Covered**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.888% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2017 was \$174,519.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

**District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported a liability of \$1,892,939 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2015 and June 30, 2016 was as follows:

Proportion - June 30, 2015	0.0100%
Proportion - June 30, 2016	<u>0.0096%</u>
Change - Increase (Decrease)	<u><u>-0.0004%</u></u>

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$228,437. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 174,519	
Differences between expected and actual experience	85,143	
Changes of assumptions		\$ 60,614
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	26,702	61,002
Net differences between projected and actual earnings on plan investments	<u>299,962</u>	
Totals	<u><u>\$ 586,326</u></u>	<u><u>\$ 121,616</u></u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

**District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)**

Year Ended June 30	
2018	\$ 31,584
2019	49,743
2020	132,205
2021	76,659

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2016. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.65%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 - RETIREMENT PLANS (CONCLUDED)**

**B. California Public Employees' Retirement System (CalPERS) (Concluded)**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate.

	Discount Rate 1% Decrease 6.65%	Discount Rate Current Rate 7.65%	Discount Rate 1% Increase 8.65%
District's proportionate share of the net pension liability	\$ 2,824,276	\$ 1,892,939	\$ 1,117,418

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**C. Social Security**

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

**NOTE 9 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2017, is shown below:

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017	Due within One Year
Compensated Absences	\$ 33,704	\$ 25,930	\$ 33,704	\$ 25,930	\$ 25,930
Early Retirement Incentives	30,198		10,198	20,000	
Other Post Employment Benefits	1,184,314	244,093	166,953	1,261,454	
Net Pension Liability - CalSTRS	3,195,863	630,411		3,826,274	
Net Pension Liability - CalPERS	1,467,131	425,808		1,892,939	
Totals	\$ 5,911,210	\$ 1,326,242	\$ 210,855	\$ 7,026,597	\$ 25,930

All of the long-term liabilities presented above are primarily obligations of the General Fund.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - FUND BALANCES**

The District's fund balances at June 30, 2017 consisted of the following:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Totals
Nonspendable:				
Revolving Cash	\$ 2,000	\$ 1,898		\$ 3,898
Stores Inventory		4,801		4,801
Total Nonspendable	2,000	6,699		8,699
Restricted:				
Categorical Programs	78,989	12,435		91,424
Developer Fees			\$ 331,909	331,909
Total Restricted	78,989	12,435	331,909	423,333
Assigned:				
Bleacher Insurance	330,000			330,000
Technology Upgrades	100,000			100,000
Common Core Textbooks	100,000			100,000
Necessary Small School Reduction	300,000			300,000
PERS & STRS Increases	178,109			178,109
Postemployment Benefits	494,399			494,399
Total Assigned	1,502,508	0	0	1,502,508
Unassigned:				
Reserve for Economic Uncertainties	620,433			620,433
Remaining Unassigned Balance	359,463			359,463
Total Unassigned	979,896	0	0	979,896
Total Fund Balances	\$ 2,563,393	\$ 19,134	\$ 331,909	\$ 2,914,436

**NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$177,603 to CalSTRS (8.578248% of creditable compensation subject to CalSTRS).

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016-17, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 13 - JOINT VENTURES**

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

The JPAs arrange for and/or provide coverage or services for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage or service requested and shares surpluses and deficits proportionately to their participation in the JPAs. The JPAs are audited on an annual basis. Audited financial statements can be obtained by contacting each JPA's management.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

The District has received state and federal 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.

**B. Litigation**

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

**NOTE 15 - RESTATEMENT OF NET POSITION**

The beginning fund balance of the Scholarship Fund has been restated to include the investments held in the Hilda H. Seely Trust Under Will investment account, which is managed and held by Wells Fargo Bank N. A.. The account balance has been included to reflect the fiduciary relationship between the District and the "Caldwell-Pitts Scholarship Fund Board".

The effect of the restatement on the current year financial statements is as follows:

	<u>Statement of Changes in Net Position</u>
Net Position - July 1, 2016 (as originally stated)	\$ 486,529
Understatement of Investments	<u>134,366</u>
Net Position - July 1, 2016 (as restated)	<u>\$ 620,895</u>

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 16 - FUTURE GASB IMPLEMENTATION**

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District in fiscal year 2017-18. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and establishes new accounting and financial reporting requirements for OPEB plans.

**NOTE 17 - SUBSEQUENT EVENTS**

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 8, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.



## REQUIRED SUPPLEMENTARY INFORMATION SECTION



**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 3,461,117	\$ 3,521,119	\$ 3,418,589	\$ (102,530)
Local Sources	2,334,364	2,333,893	2,421,868	87,975
Total LCFF Sources	5,795,481	5,855,012	5,840,457	(14,555)
Federal Revenue	432,987	481,517	456,235	(25,282)
Other State Revenue	505,104	1,122,319	924,682	(197,637)
Other Local Revenue	194,973	607,260	715,323	108,063
Total Revenues	6,928,545	8,066,108	7,936,697	(129,411)
<b><u>Expenditures</u></b>				
Current:				
Certificated Salaries	2,648,668	2,659,316	2,613,314	46,002
Classified Salaries	1,191,686	1,316,584	1,281,416	35,168
Employee Benefits	1,398,100	1,632,438	1,588,527	43,911
Books and Supplies	745,139	793,461	658,988	134,473
Services and Other				
Operating Expenditures	889,014	885,806	701,553	184,253
Capital Outlay	145,500	835,920	659,390	176,530
Other Expenditures	171,945	223,080	189,721	33,359
Total Expenditures	7,190,052	8,346,605	7,692,909	653,696
Excess of Revenues Over (Under) Expenditures	(261,507)	(280,497)	243,788	524,285
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(97,479)	(25,985)	(40,985)	(15,000)
Net Change in Fund Balances	(358,986)	(306,482)	202,803	\$ 509,285
Fund Balances - July 1, 2016	2,360,590	2,360,590	2,360,590	
Fund Balances - June 30, 2017	\$ 2,001,604	\$ 2,054,108	\$ 2,563,393	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - CAFETERIA FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
Federal Revenue	\$ 225,725	\$ 225,725	\$ 227,456	\$ 1,731
Other State Revenue	17,700	17,700	17,124	(576)
Other Local Revenue	10,600	10,600	7,321	(3,279)
Total Revenues	254,025	254,025	251,901	(2,124)
<b><u>Expenditures</u></b>				
Current:				
Classified Salaries	141,120	123,500	120,664	2,836
Employee Benefits	45,164	44,279	41,735	2,544
Food and Supplies	147,500	161,940	166,134	(4,194)
Services and Other				
Operating Expenditures	1,800	6,660	5,581	1,079
Other Expenditures	15,920	15,920	11,927	3,993
Total Expenditures	351,504	352,299	346,041	6,258
Excess of Revenues (Under) Expenditures	(97,479)	(98,274)	(94,140)	4,134
<b><u>Other Financing Sources</u></b>				
Operating Transfers In	97,479	25,985	40,985	15,000
Net Change in Fund Balances	0	(72,289)	(53,155)	\$ 19,134
Fund Balances - July 1, 2016	72,289	72,289	72,289	
Fund Balances - June 30, 2017	\$ 72,289	\$ 0	\$ 19,134	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/16	\$ 0	\$ 2,284,081	\$ 2,284,081	0%	\$ 3,002,543	76.07%
7/1/13	0	2,832,661	2,832,661	0%	2,780,176	101.89%
7/1/10	0	3,159,505	3,159,505	0%	3,043,921	103.80%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS \***

**JUNE 30, 2017**

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2017	0.0047%	\$ 3,826,274	\$ 2,178,230	\$ 6,004,504	\$ 2,357,670	162.29%	70.04%
2016	0.0047%	3,195,863	1,690,259	4,886,122	2,203,300	145.05%	74.02%
2015	0.0046%	2,660,107	1,606,287	4,266,394	2,027,515	131.20%	76.52%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS \***

**JUNE 30, 2017**

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<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2017	0.0096%	\$ 1,892,939	\$ 1,149,852	164.62%	73.90%
2016	0.0100%	1,467,131	1,101,928	133.14%	79.43%
2015	0.0096%	1,090,732	1,008,591	108.14%	83.38%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2017	\$ 322,471	\$ 322,471	\$ -	\$ 2,563,362	12.580%
2016	260,310	260,310	-	2,426,002	10.730%
2015	183,796	183,796	-	2,069,775	8.880%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - CALPERS \***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2017	\$ 174,519	\$ 174,519	\$ -	\$ 1,256,617	13.888%
2016	135,564	135,564	-	1,144,290	11.847%
2015	130,423	130,423	-	1,108,003	11.771%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

Excess of expenditures over appropriations as of June 30, 2017 were as follows:

<u>Cafeteria Fund</u>	<u>Excess Expenditures</u>
Food and Supplies	\$ 4,194

The District incurred unanticipated expenditures in excess of appropriations in the above expenditure classification for which the budget was not revised.

**B. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

**C. Schedule of the Proportionate Share of the Net Pension Liability**

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)**

**D. Schedule of Contributions**

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

**NOTE 2 - SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS**

**A. Benefit Changes**

There have been no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

**B. Changes of Assumptions**

There have been no changes in assumptions since the previous valuation for either CalSTRS or CalPERS.



## SUPPLEMENTARY INFORMATION SECTION



**BIGGS UNIFIED SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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ORGANIZATION

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 high school, and one community day school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kathryn Sheppard	President	November 2018
M. America Navarro	Vice President	November 2018
Dennis Slusser	Clerk	November 2018
Megan Wilkinson	Member	November 2020
Steve Thompson	Member	November 2020

ADMINISTRATION

Doug Kaelin  
Superintendent

Pamela Ragan  
Financial Officer

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

P-2 Report					
	TK / K - 3	4 - 6	7 - 8	9 - 12	Total
Regular	185.75	112.72	98.35	174.75	571.57
Community Day School				4.27	4.27
Totals	185.75	112.72	98.35	179.02	575.84

	Annual Report				
	<u>TK / K - 3</u>	<u>4 - 6</u>	<u>7 - 8</u>	<u>9 - 12</u>	<u>Total</u>
Regular	184.93	112.14	98.85	173.66	569.58
Community Day School				3.41	3.41
Totals	<u>184.93</u>	<u>112.14</u>	<u>98.85</u>	<u>177.07</u>	<u>572.99</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Grade Level</u>	<u>Minutes Required</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	57,810	180	N/A	In Compliance
Grade 1	50,400	53,370	180	N/A	In Compliance
Grade 2	50,400	53,370	180	N/A	In Compliance
Grade 3	50,400	53,370	180	N/A	In Compliance
Grade 4	54,000	54,800	180	N/A	In Compliance
Grade 5	54,000	54,800	180	N/A	In Compliance
Grade 6	54,000	54,800	180	N/A	In Compliance
Grade 7	54,000	67,152	180	N/A	In Compliance
Grade 8	54,000	67,152	180	N/A	In Compliance
Grade 9	64,800	64,844	180	N/A	In Compliance
Grade 10	64,800	64,844	180	N/A	In Compliance
Grade 11	64,800	64,844	180	N/A	In Compliance
Grade 12	64,800	64,844	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

**BIGGS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	General Fund	Special Reserve Fund	Special Reserve for Postemployment Benefits Fund
June 30, 2017 Annual Financial and Budget Report Fund Balances	\$ 1,475,228	\$ 593,766	\$ 494,399
Reclassifications Increasing / (Decreasing) Fund Balances:			
Reclassification of Fund Balances	<u>1,088,165</u>	<u>(593,766)</u>	<u>(494,399)</u>
June 30, 2017 Audited Financial Statements Fund Balances	<u>\$ 2,563,393</u>	<u>\$ 0</u>	<u>\$ 0</u>

Auditor's Comments

The fund balances of the General Fund, Special Reserve Fund, and Special Reserve for Postemployment Benefits Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2017.

**BIGGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			
	(Budget)* 2017-18	2016-17	2015-16	2014-15
Revenues and Other Financial Sources	\$ 6,927,917	\$ 7,936,697	\$ 7,097,128	\$ 6,038,007
Expenditures	7,321,027	7,692,909	6,706,861	5,756,616
Other Uses and Transfers Out	93,330	40,985	143,375	95,000
Total Outgo	7,414,357	7,733,894	6,850,236	5,851,616
Change in Fund Balance	(486,440)	202,803	246,892	186,391
Ending Fund Balance	\$ 2,076,953	\$ 2,563,393	\$ 2,360,590	\$ 2,113,698
Available Reserves	\$ 598,766	\$ 979,896	\$ 1,206,556	\$ 1,242,106
Reserve for Economic Uncertainties **	\$ 598,766	\$ 620,433	\$ 587,688	\$ 460,529
Available Reserves as a Percentage of Total Outgo	8.1%	12.67%	17.61%	21.23%
Average Daily Attendance at P-2	578	576	564	513
Total Long-Term Liabilities	\$ 7,000,667	\$ 7,026,597	\$ 5,911,210	\$ 4,848,389

\* Amounts reported for the 2017-18 budget are presented for analytical purposes only and have not been audited.

\*\* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$449,695 (21.3%) over the past two years. The fiscal year 2017-18 budget projects a decrease of \$486,440 (19%). For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the past three fiscal years.

Average daily attendance has increased 63 ADA over the past two years. The District projects an increase of 2 ADA during fiscal year 2017-18.

Total long-term liabilities increased \$2,178,208 over the past two years.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. 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 spans and in different programs.

**B. Schedule of Instructional Time**

The District participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

**C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds, as reported in the Annual Financial and Budget Report to the audited financial statements.

**D. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Trustees  
Biggs Unified School District  
Biggs, California

We have audited Biggs Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2017.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. 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 the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Biggs Unified School 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 Biggs Unified School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Biggs Unified School District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

#### Opinion on State Compliance

In our opinion, Biggs Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2017



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Biggs Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2017 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Internal Control Over Financial Reporting (Concluded)

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies, as noted in **Findings 2017-001** and **2017-002**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

District's Responses to Findings

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 8, 2017

## FINDINGS AND QUESTIONED COSTS SECTION



**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified with Adverse Opinion on Discretely Presented Component Unit	
Internal control over financial reporting:		
Material weaknesses identified?	<u>        </u> Yes	<u>  X  </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>        </u> None reported
Noncompliance material to financial statements noted?	<u>        </u> Yes	<u>  X  </u> No

**State Awards**

Any audit findings required to be reported in accordance with the <i>2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?</i>	<u>        </u> Yes	<u>  X  </u> No
Type of auditor's report issued on compliance for state programs:	Unmodified	

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2017 - 001 / 30000**

**SIGNIFICANT DEFICIENCY**

**CAFETERIA FUND ENCROACHMENT**

Criteria: The Cafeteria Fund child nutrition program should operate as close to break-even as possible to minimize the encroachment on the General Fund.

Condition: The Cafeteria Fund child nutrition program continues to incur increasingly larger operating deficits, which require significant annual contributions from the General Fund. A summary of the operating deficits for the past three years is as follows:

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Cafeteria Fund Operating Deficits	\$ 94,140	\$ 90,762	\$ 75,324

Questioned Costs: None.

Context: The Cafeteria Fund's annual operating deficits have increased during each of the past five years.

Effect: If program participation is not increased or if program cuts are not made in a timely manner, the current trend of deficit spending in the Cafeteria Fund will likely continue, which may impair the District's ability to maintain adequate reserves in the General Fund in the future.

Cause: Program participation has been decreasing and the District has been unsuccessful in reducing cafeteria program costs down to a level that is consistent with the revenues generated by the program.

Recommendation: The District should continue to investigate program changes that will help to increase program participation and allow the Cafeteria Fund to operate closer to a break-even basis. In addition, the District should streamline the process to make sure that all students who are eligible for free or reduced-price meals are properly identified, classified and claimed for reimbursement, as soon as possible. The District should also compare the number of meals produced, per the production reports, to number of meals claimed on the meal reimbursement claims, to ensure that all meals served are properly claimed for reimbursement.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**CAFETERIA FUND ENCROACHMENT (CONCLUDED)**

**District Response:**

The District continues to research the lack of participation in the National School lunch program (NSLP).

We have implemented an online application and continue to reach out to parents to complete and return the applications.

A new breakfast program was started in 2017/18 and the participation appears to be increasing.

The Food Service Director continues to research and offer foods that are more desirable to the students but still meet the NSLP food guidelines.

The production reports are being submitted with the claim back-up information for review monthly.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**2017 - 002 / 30000**

**SIGNIFICANT DEFICIENCY**

**CHILD NUTRITION - REIMBURSEMENT CLAIMS**

<u>Criteria:</u>	Districts are required to submit monthly claims for reimbursement to the state by the applicable submission deadline date specified on the California Department of Education website. Claims submitted after the submission deadline, are not paid unless the District meets certain criteria, circumstances, or conditions that allow the claim to be considered for payment.
<u>Condition:</u>	The original September 2016 claim for reimbursement did not include the number of afterschool snacks served during the month, and a revised form was not transmitted to the California Department of Education prior to the specified submission deadline.
<u>Questioned Costs:</u>	None. Program funding was underclaimed by \$1,662. (The amount of funding the District was eligible to receive based on the number of afterschool snacks served.) (1,933 snacks x \$.86 reimbursement rate.)
<u>Context:</u>	The condition appears to be limited to the September 2016 claim for reimbursement.
<u>Effect:</u>	The District incurred cost to provide snacks to students of the District, but failed to receive reimbursement from the California Department of Education due to submitting the revised claim after the specified submission deadline.
<u>Cause:</u>	The monthly reimbursement claim was transmitted to the California Department of Education, prior to being submitted to the Business Manager for review.
<u>Recommendation:</u>	The District should establish procedures to ensure that the monthly reimbursement claims are submitted to the Business Manager for review prior to being transmitted to the California Department of Education.
<u>District Response:</u>	All monthly claims for reimbursement are reviewed and signed by the Financial Officer before being submitted.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no matters to report for the fiscal year ended June 30, 2017.

**BIGGS UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>2016 - 001 / 30000</b>		
<b>SIGNIFICANT DEFICIENCY</b>		
<b><u>CAFETERIA FUND ENCROACHMENT</u></b>		
The District should continue to investigate program changes that will help to increase program participation and allow the Cafeteria Fund to operate closer to a break-even basis. In addition, the District should streamline the process to make sure that all students who are eligible for free or reduced-price meals are properly identified, classified and claimed for reimbursement, as soon as possible. The District should also compare the number of meals produced, per the production reports, to number of meals claimed on the meal reimbursement claims, to ensure that all meals served are properly claimed for reimbursement.	Partially Implemented	Comment Repeated <b>(See Finding 2017 - 001)</b>