

**CORNING UNION HIGH SCHOOL DISTRICT**

County of Tehama  
Corning, California

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

Year Ended June 30, 2017

**CORNING UNION HIGH SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
Year Ended June 30, 2017

	<b>Page Number</b>
<hr/>	
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	1
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	18
Statement of Fiduciary Net Position – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
Notes to the Financial Statements	21
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	47
Budgetary Comparison Schedule – Foundation Special Revenue Fund	48
Schedule of Funding Progress for Other Postemployment Benefits	49
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS	50
Schedule of District Contributions – CalSTRS	51
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS	52
Schedule of District Contributions – CalPERS	53
Notes to the Required Supplementary Information	54

**CORNING UNION HIGH SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
Year Ended June 30, 2017

	<b>Page Number</b>
<hr/>	
<b>SUPPLEMENTARY INFORMATION</b>	
Local Educational Agency Organization Structure	55
Schedule of Average Daily Attendance	56
Schedule of Instructional Time	57
Schedule of Expenditures of Federal Awards	58
Schedule of Financial Trends and Analysis	59
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	60
Schedule of Charter Schools	61
Notes to the Supplementary Information	62
 <b>OTHER INDEPENDENT AUDITORS' REPORTS</b>	
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>	64
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	66
Report on State Compliance	68
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	
Summary of Auditors' Results	71
Financial Statement Findings	72
Federal Award Findings and Questioned Costs	75
State Award Findings and Questioned Costs	76
Summary Schedule of Prior Audit Findings	77

---

## FINANCIAL SECTION

---



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Corning Union High School District  
Corning, 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 the Corning Union High School District (the 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 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.

### *Auditors' 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.

## *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 the Corning Union High School District, as of June 30, 2017, and the respective changes in financial position, 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 that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District pension contributions 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corning Union High 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information listed in the table of contents and the schedule of expenditures of federal awards are 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 and the schedule of expenditures of federal awards are 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 January 11, 2018, on our consideration of Corning Union High 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 Corning Union High School District's internal control over financial reporting and compliance.

*Tittle & Company, LLP*

Chico, California  
January 11, 2018

## **CORNING UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

This section of the Corning Union High School District's (the District) 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 Auditors' Report and the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- Overall revenues totaled \$12,986,860. Current year expenditures exceeded revenues by \$721,360 as a result of:
  - Expending prior year CTE grant revenue.
  - The District negotiated a four percent salary increase for all employees. This impacted salaries and benefits by \$581,134.
  - Increase in SELPA Revenue allocation.
- Capital assets, net of depreciation, decreased by \$300,189 which is attributed to depreciation expense netted against fixed asset additions.
- Long-term debt has increased by \$4,204,433 primarily from the increase in the net pension liability for the CalSTRS and CalPERS retirement plans and the issuance of Measure K General Obligations in the amount of \$3,000,000.
- Enrollment in the District increased by 18 students.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year, General Fund expenditures and other financing uses totaled \$11,828,478 at June 30, 2017; the District has available reserves of \$1,057,264 in the General Fund, which represents a reserve of 8.94%.

### **The Financial Report**

The full annual financial report consists of three separate parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. 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 financial statements, provide both short-term and long-term information about the District's overall financial position.
- Fund financial statements that focus on individual parts of the District reporting the District's operations in more detail than the government-wide financial statements. They are comprised of the remaining statements.



## CORNING UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

- The governmental fund financial statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like a business.
- The fiduciary fund financial statements provide information about the financial relationships in which the District acts solely as an agent or trustee for the benefit of others to whom the resources belong.

Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the financial 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 financial 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 or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional nonfinancial 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.

In the statement of net positions and the statement of activities, the activities are divided into two categories:

#### *Governmental Activities*

The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Nonbasic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contracts and grants and local revenues.

#### *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 financial statements provide detailed information about the District's most significant funds, not the District as a whole. Some funds are required to be established by state law

## **CORNING UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

and bond covenants. However, the District establishes other funds as needed to control and manage money for specific purposes.

### *Governmental Funds*

The major governmental funds of the District are the General Fund, the Foundation Special Revenue Fund, and the Building 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 financial 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 the government-wide financial statements; 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 fund financial 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.

## **Financial Analysis of the District as a Whole**

### **Net Position**

The District's net position was \$5,222,786 for the fiscal year ended June 30, 2017. Of this amount (\$8,581,321) is unrestricted. Restricted net assets are reported separately and are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or entities with authority over the district.

The District's net position decreased by \$721,360 during the fiscal year 2016-17.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2017

Table 1: Statement of Net Position – Governmental Activities

	Governmental Activities		Total Percentage Change
	2016	2017	
<b>ASSETS</b>			
Cash and investments	\$ 5,950,182	\$ 8,820,874	48.2%
Accounts receivables	376,620	749,978	99.1%
Inventories	8,745	8,745	100.0%
Prepaid expenses	119,936	-	100.0%
Capital assets - net	13,197,086	12,896,897	-2.3%
<b>Total Assets</b>	<b>19,652,569</b>	<b>22,476,494</b>	<b>14.4%</b>
Deferred Outflows of Resources	1,545,795	2,638,674	70.7%
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	619,785	907,684	46.5%
Unearned revenue	88,383	117,345	32.8%
Long-term obligations	13,623,829	17,828,262	30.9%
<b>Total Liabilities</b>	<b>14,331,997</b>	<b>18,853,291</b>	<b>31.5%</b>
Deferred Inflows of Resources	922,221	1,039,091	12.7%
<b>NET POSITION</b>			
Net investment in capital assets	9,617,013	9,216,482	-4.2%
Restricted	4,645,947	4,587,625	-1.3%
Unrestricted	(8,318,814)	(8,581,321)	3.2%
<b>Total Net Position</b>	<b>\$ 5,944,146</b>	<b>\$ 5,222,786</b>	<b>-12.1%</b>

**CORNING UNION HIGH SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2017

Table 2: Changes in Net Position from Operating Results – Governmental Activities

	Governmental Activities		Total Percentage Change
	2016	2017	
<b>REVENUES</b>			
Program Revenues			
Charges for services	\$ 100,555	\$ 92,260	-8.2%
Operating grants and contributions	2,157,828	2,386,617	10.6%
General Revenues			
Federal and state aid not restricted	7,414,045	7,445,130	0.4%
Property taxes	2,152,154	2,215,172	2.9%
Other	1,420,012	847,681	-40.3%
<b>Total Revenues</b>	<b>13,244,594</b>	<b>12,986,860</b>	<b>-1.9%</b>
<b>EXPENSES</b>			
Instruction	6,528,674	6,936,433	6.2%
Instruction-related services	763,714	1,007,195	31.9%
Pupil services	1,972,633	2,129,662	8.0%
General administration	1,107,261	1,129,882	2.0%
Plant services	1,995,070	1,664,770	-16.6%
Ancillary services	362,436	403,682	11.4%
Community services	185,771	133,230	-28.3%
Interest on long-term debt	75,075	114,423	52.4%
Other outgo	68,034	188,943	177.7%
<b>Total Expenses</b>	<b>13,058,668</b>	<b>13,708,220</b>	<b>5.0%</b>
<b>Change in Net Position</b>	<b>\$ 185,926</b>	<b>\$ (721,360)</b>	<b>488.0%</b>

# CORNING UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

## Governmental Activities

- The net cost of the District's governmental activities for the year was \$11,229,343.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,386,617).
- The District's expenses were predominately related to educating and caring for students (73.5%).
- Administrative activities accounted for 8.2% of total costs.
- Most of the District's costs were financed by District (\$2,215,172) and Federal and State (\$7,445,130) taxpayers, and other local and miscellaneous earnings (\$847,681).

Table 3 presents the costs 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 net cost shows the financial burden that is placed on the District's general revenues.

Table 3: Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2016	2017		2016	2017	
Instruction	\$ 6,528,674	\$ 6,936,433	6.2%	\$ 5,473,317	\$ 5,644,083	3.1%
Instruction-related services	763,714	1,007,195	31.9%	583,161	753,077	29.1%
Pupil services	1,972,633	2,129,662	8.0%	1,254,118	1,371,693	9.4%
General administration	1,107,261	1,129,882	2.0%	962,940	997,929	3.6%
Plant services	1,995,070	1,664,770	-16.6%	1,875,798	1,651,162	-12.0%
Ancillary services	362,436	403,682	11.4%	354,447	391,022	10.3%
Community services	185,771	133,230	-28.3%	185,939	132,931	-28.5%
Interest on long-term debt	75,075	114,423	52.4%	75,075	114,423	52.4%
Other outgo	68,034	188,943	177.7%	35,490	173,023	387.5%
<b>Total</b>	<b>\$ 13,058,668</b>	<b>\$ 13,708,220</b>	<b>5.0%</b>	<b>\$ 10,800,285</b>	<b>\$ 11,229,343</b>	<b>4.0%</b>

## Governmental Funds

The District's governmental funds reported a combined fund balance of \$8,501,007, which is an increase of \$2,808,599 from the previous year. Following is a summary of the District's fund balances.

**CORNING UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Table 4: Fund Balances

	2016	2017	Increase (Decrease)
General	\$ 1,223,623	\$ 1,588,303	\$ 364,680
Building	-	2,600,156	2,600,156
Cafeteria	108,769	71,564	(37,205)
Foundation Special Revenue	4,138,758	3,940,317	(198,441)
Adult Education	18,889	14,752	(4,137)
Capital Facilities	177,462	195,853	18,391
Bond Interest & Redemption	-	64,936	64,936
Deferred Maintenance	24,907	25,126	219
<b>Total</b>	<b>\$ 5,692,408</b>	<b>\$ 8,501,007</b>	<b>\$ 2,808,599</b>

The General Fund increase is primarily due to the change in processes and procedures. Budgets were put in place and followed.

The Building Fund is a new fund established with the issuance of Measure K General Obligation Bonds in the amount of \$3,000,000.

The Cafeteria Fund decrease is due to the negotiated four percent raise for all employees.

The Foundation Special Revenue Fund decrease is primarily due to the funds being held in an investment account. The changes are due to current market changes.

The Capital Facilities Fund increase is due to no expenditures within the fund and receiving revenue from Developer Fees.

The Bond Interest and Redemption Fund is a new fund established with the issuance of the Measure K General Obligations Bonds.

General Fund Budgetary Highlights

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 the Governor's May Revise figures and updated 45 days after the state approves its final budget. In addition, the District revises its budget at first and second interim reporting periods. The budget amendments for the year typically fell into the following categories:

- Adjustment of revenue to actual enrollment and ADA data.
- Inclusion of new grants.
- Revisions for grants ending.
- Addition of grant and entitlement funds from the prior year.
- Asses and realign estimated expenses for the immediate needs and on-going goals of the District.

The District's original and final budgets compared with actual operations are provided in the budgetary comparison schedule for the General Fund.

# CORNING UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$107,913. The actual results for the year showed an increase in fund balance of \$343,411.

This increase is a result of:

- One-time moneys received but not expended, CTE and Adult Ed revenues not yet expended.

## Capital Asset and Debt Administration

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long term debt.

### Capital Assets

By June 30, 2017, the District had invested \$12,896,897 in a broad range of capital assets including land, construction in progress, school buildings, equipment, and administrative offices (See Table 5). This amount represents a decrease of \$300,189, or 2.3%, from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 5: Capital Assets – Governmental Funds

	Governmental Activities		Total Percentage Change
	2016	2017	
Land	\$ 357,500	\$ 357,500	0.0%
Construction in progress	-	262,976	100.0%
Improvements of sites	3,558,661	3,558,661	0.0%
Buildings	17,923,058	17,923,058	0.0%
Vehicles	912,373	949,155	4.0%
Furniture and equipment	895,812	996,196	11.2%
Subtotal	23,647,404	24,047,546	1.7%
Less: Accumulated depreciation	(10,450,318)	(11,150,649)	6.7%
<b>Total</b>	<b>\$ 13,197,086</b>	<b>\$ 12,896,897</b>	<b>-2.3%</b>

### Long-Term Debt

Increase in compensated absences is due to the payout of vacation for employee terminations.

Early retirement incentives decreased due to normally scheduled payments.

The long-term line of credit used to accelerate completion of approved projects at the ranch providing expansion of instructional programs for the immediate use of CUHS students.

The Net OPEB Obligation is the difference between the annual required contribution that the District needs to make to fund future retiree health benefits for current employees and what is actually paid for health premiums for the retiree group.

**CORNING UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Table 6: Long-Term Debt

	Governmental Activities		Total
	2016	2017	Percentage Change
Quality zone academy bond	\$ 2,723,125	\$ 2,623,428	-3.7%
General obligation bonds	-	3,000,000	100.0%
Bond issuance premium	-	123,251	100.0%
Net OPEB obligation	519,745	541,054	4.1%
Early retirement incentives	30,000	10,000	-66.7%
Compensated absences	34,693	60,217	73.6%
Capital leases	446,768	370,419	-17.1%
Long-term line of credit	410,180	423,592	3.3%
Net pension liability	9,459,318	10,676,301	12.9%
<b>Total</b>	<b>\$ 13,623,829</b>	<b>\$ 17,828,262</b>	<b>30.9%</b>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its financial health in the future:

- District enrollment is no longer declining.
- Special education costs continue to increase.
- There may be unpredictable increases in fuel and electric costs.
- Increase in legal costs due to personnel, negotiations, and special education matters.

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. For questions regarding this report or additional financial information, contact:

Christine Towne, Chief Business Official

Corning Union High School District  
643 Blackburn Avenue  
Corning, CA 96021  
Phone: (530) 824-8000



**CORNING UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 8,820,874
Accounts receivable	749,978
Inventories	8,745
Capital assets, not depreciated	620,476
Capital assets, net of accumulated depreciation	12,276,421
<b>Total Assets</b>	<b>22,476,494</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,638,674
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	907,684
Unearned revenue	117,345
Long-term liabilities:	
Due within one year	234,941
Due in more than one year	17,593,321
<b>Total Liabilities</b>	<b>18,853,291</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,039,091
<b>NET POSITION</b>	
Net investment in capital assets	9,216,482
Restricted for:	
Capital projects	195,853
Debt Service	64,936
Educational programs	332,958
Other purposes	3,993,878
Unrestricted	(8,581,321)
<b>Total Net Position</b>	<b>\$ 5,222,786</b>

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

		Program Revenues		Net (Expense)
				Revenue and
				Changes in Net
				Position
	Expenses	Charges for	Operating	Governmental
		Services	Grants and	Activities
			Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 6,936,433	\$ -	\$ 1,292,350	\$ (5,644,083)
Instruction-related services:				
Instructional supervision and administration	304,975	-	205,278	(99,697)
Instructional library, media and technology	160,787	-	4,140	(156,647)
School site administration	541,433	-	44,700	(496,733)
Pupil services:				
Home-to-school transportation	471,943	-	1,022	(470,921)
Food services	619,077	86,734	489,354	(42,989)
All other pupil services	1,038,642	-	180,859	(857,783)
General administration:				
All other general administration	1,129,882	4,930	127,023	(997,929)
Plant services	1,664,770	596	13,012	(1,651,162)
Ancillary services	403,682	-	12,660	(391,022)
Community services	133,230	-	299	(132,931)
Interest on long-term debt	114,423	-	-	(114,423)
Other outgo	188,943	-	15,920	(173,023)
<b>Total Governmental Activities</b>	<b>\$ 13,708,220</b>	<b>\$ 92,260</b>	<b>\$ 2,386,617</b>	<b>(11,229,343)</b>
<b>General Revenues</b>				
Property taxes, levied for general purposes				2,215,172
Federal and state aid not restricted to specific purposes				7,445,130
Interest and investment earnings				11,968
Interagency revenues				231,274
Miscellaneous				604,439
<b>Total General Revenues</b>				<b>10,507,983</b>
<b>Change in Net Position</b>				<b>(721,360)</b>
<b>Net Position - Beginning</b>				<b>5,944,146</b>
<b>Net Position - Ending</b>				<b>\$ 5,222,786</b>

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

**CORNING UNION HIGH SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2017

	General Fund	Foundation Special Revenue Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,566,866	\$ 129,513	\$ 2,984,001	\$ 259,601	\$ 4,939,981
Investments	-	3,827,332	-	-	3,827,332
Accounts receivable	641,196	-	500	108,282	749,978
Due from other funds	77,579	-	-	64,936	142,515
Inventories	-	-	-	8,745	8,745
<b>Total Assets</b>	<b>\$ 2,285,641</b>	<b>\$ 3,956,845</b>	<b>\$ 2,984,501</b>	<b>\$ 441,564</b>	<b>\$ 9,668,551</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 579,993	\$ 3,841	\$ 319,409	\$ 4,441	\$ 907,684
Due to other funds	-	12,687	64,936	64,892	142,515
Unearned revenue	117,345	-	-	-	117,345
<b>Total Liabilities</b>	<b>697,338</b>	<b>16,528</b>	<b>384,345</b>	<b>69,333</b>	<b>1,167,544</b>
<b>FUND BALANCES</b>					
Nonspendable	1,000	-	-	9,245	10,245
Restricted	261,394	-	2,600,156	323,108	3,184,658
Assigned	739,693	3,940,317	-	39,878	4,719,888
Unassigned	586,216	-	-	-	586,216
<b>Total Fund Balances</b>	<b>1,588,303</b>	<b>3,940,317</b>	<b>2,600,156</b>	<b>372,231</b>	<b>8,501,007</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,285,641</b>	<b>\$ 3,956,845</b>	<b>\$ 2,984,501</b>	<b>\$ 441,564</b>	<b>\$ 9,668,551</b>

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2017

<b>Total Fund Balance - Governmental Funds</b>		\$	8,501,007
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:			
Capital assets	\$	24,047,546	
Accumulated depreciation		(11,150,649)	12,896,897
Deferred recognition of earned but unavailable revenues:			
In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred in governmental funds, but are recognized in the government-wide statements, is:			
			53,561
Long-term liabilities:			
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds		3,000,000	
Bond issuance premium		123,251	
Qualified zoned activity bonds		2,623,428	
Capital leases		370,419	
Early retirement incentives		10,000	
Long-term line of credit		423,592	
Compensated absences		60,217	
Net OPEB obligation		541,054	
Net pension liability		10,676,301	(17,828,262)
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.			
Deferred outflows of resources related to pensions		2,638,674	
Deferred inflows of resources related to pensions		(1,039,091)	1,599,583
<b>Total Net Position - Governmental Activities</b>		\$	5,222,786

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
Year Ended June 30, 2017

	General Fund	Foundation Special Revenue Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 9,288,691	\$ -	\$ -	\$ -	\$ 9,288,691
Federal revenue	705,108	-	-	482,514	1,187,622
Other state revenue	1,216,253	539	-	28,960	1,245,752
Other local revenue	946,324	25,758	7,843	258,846	1,238,771
<b>Total Revenues</b>	<b>12,156,376</b>	<b>26,297</b>	<b>7,843</b>	<b>770,320</b>	<b>12,960,836</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	6,176,768	14,422	-	88,010	6,279,200
Instruction-related services	912,849	9,773	-	55,463	978,085
Pupil services	1,468,369	-	-	632,321	2,100,690
Ancillary services	389,483	-	-	-	389,483
Community services	46,428	75,815	-	-	122,243
General administration	1,069,058	-	-	29,891	1,098,949
Plant services	1,363,665	73,821	328	2,880	1,440,694
Other outgo	31,245	-	144,383	13,315	188,943
Capital outlay	86,260	50,907	262,976	-	400,143
Debt service:					
Principal	212,828	-	-	-	212,828
Interest	56,012	13,412	-	45,000	114,424
<b>Total Expenditures</b>	<b>11,812,965</b>	<b>238,150</b>	<b>407,687</b>	<b>866,880</b>	<b>13,325,682</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>343,411</b>	<b>(211,853)</b>	<b>(399,844)</b>	<b>(96,560)</b>	<b>(364,846)</b>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	-	-	-	15,513	15,513
Interfund transfers out	(15,513)	-	-	-	(15,513)
Proceeds from sale of bonds	-	-	3,000,000	123,251	3,123,251
Other sources	36,782	13,412	-	-	50,194
<b>Total Other Financing Sources (Uses)</b>	<b>21,269</b>	<b>13,412</b>	<b>3,000,000</b>	<b>138,764</b>	<b>3,173,445</b>
<b>Net Change in Fund Balance</b>	<b>364,680</b>	<b>(198,441)</b>	<b>2,600,156</b>	<b>42,204</b>	<b>2,808,599</b>
<b>Fund Balance - Beginning</b>	<b>1,223,623</b>	<b>4,138,758</b>	<b>-</b>	<b>330,027</b>	<b>5,692,408</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,588,303</b>	<b>\$ 3,940,317</b>	<b>\$ 2,600,156</b>	<b>\$ 372,231</b>	<b>\$ 8,501,007</b>

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>2,808,599</b>
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	\$ 400,142	
Depreciation expense	(700,331)	(300,189)
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
		212,828
Debt proceeds:		
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		
		(3,173,445)
Earned but unavailable revenues:		
In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:		
		(1,346)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned was:		
		(25,524)
Pensions:		
In governmental 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 employer contributions was:		
		(240,974)
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:		
		(21,309)
Other liabilities not normally liquidated with current financial resources:		
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year expenses incurred for such obligations were:		
		20,000
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b>(721,360)</b>

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**

June 30, 2017

	<b>Trust Fund</b>	<b>Agency Fund</b>
	<b>Scholarship Fund</b>	<b>Student Body Fund</b>
<b>ASSETS</b>		
Cash in county treasury	\$ 1,781	\$ -
Cash on hand in banks	29,871	219,875
Investments	304,314	-
Accounts receivable	-	4,022
Inventories - supplies and materials	-	29,076
<b>Total Assets</b>	<b>\$ 335,966</b>	<b>\$ 252,973</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 5,506
Due to student groups	-	247,467
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 252,973</b>
<b>NET POSITION</b>		
Held in trust	335,966	
<b>Total Net Position</b>	<b>\$ 335,966</b>	

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND**  
Year Ended June 30, 2017

	<u>Trust Fund</u> <u>Scholarship Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 14,746
Net decrease in fair value of investments	<u>(2,194)</u>
<b>Total Additions</b>	<u>12,552</u>
<b>DEDUCTIONS</b>	
Scholarship disbursements	<u>10,473</u>
<b>Total Deductions</b>	<u>10,473</u>
<b>Change in Net Position</b>	2,079
<b>Net Position - Beginning</b>	<u>333,887</u>
<b>Net Position - Ending</b>	<u>\$ 335,966</u>

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



# CORNING UNION HIGH SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The District is governed by an elected five member board. The District operates one high school, one continuation high school, one community day school, and one non-attendance based adult education program in Corning, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as presented by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The component unit that is blended into the reporting entity activity of the District's report is the Corning Union High School Master Endowment Trust (the Trust). The Trust is a tax exempt corporation under Internal Revenue Code Section 501(c)(3) and was formed to manage the bequest of the Rodgers Ranch to the District. The purpose of the Trust is to maintain Rodgers Ranch, promote agriculture education at the District, and to provide scholarships to District students. The scholarship portion of the Trust is reported as a Private-Purpose Trust Fund and the remaining portion of the Trust is reported as Foundation Special Revenue Fund in the District's financial statements. Individually prepared financial statements are not available for the Trust.

#### **Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Government activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods or services offered by the programs and grants and contributions that are restricted to

# CORNING UNION HIGH SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The Fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

### **Major Governmental Funds**

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

**Foundation Special Revenue Fund (Rodgers' Trust Fund)** is used to account for a bequest that is restricted for agricultural education at the District.

**Building Fund** is used to account for the construction and acquisition of major capital improvements.

### **Non-Major Governmental Funds**

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital outlay, and that compose a substantial portion of the fund's resources. The District maintains the following special revenue funds:

1. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service program.
2. Deferred Maintenance Fund is used to account for separately for state apportionments and the District's contributions for deferred maintenance purpose.
3. Adult Education Fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

**Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital outlay acquisitions. The District maintains the following capital projects fund:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed.

### **Fiduciary Funds**

**Foundation Private-Purpose Trust Funds** are used to account separately for moneys received from gifts or bequests per Education Code Section 41031 under which principal and income benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

# CORNING UNION HIGH SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

*Agency Funds* are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

### **Basis of Accounting/Measurement Focus**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the released cash flows take place.

Non-exchange transactions, in which the District's gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred inflows of resources are reported in the governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria is met, or when the government has a legal claim to the resources, the revenue is recognized.

# **CORNING UNION HIGH SCHOOL DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

### **Cash and Investments**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

### **Accounts Receivable**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2017, and amounts due from other governments including entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2017. At June 30, 2017, no allowance for doubtful accounts was deemed necessary.

### **Interfund Transactions**

Interfund transactions result from loans, services provided, reimbursements, or transfers between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

### **Inventories**

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

### **Capital Assets**

Capital assets, which include property, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life is not capitalized. A capitalization threshold of \$25,000 or more for equipment and \$50,000 or more for new facilities and facility improvements.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Depreciable Lives of Assets</u>	<u>Years</u>
Buildings	50
Portable Classrooms	25
Site Improvements/Infrastructure	20
Equipment	5-20
Vehicles	8-20

# CORNING UNION HIGH SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources—a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources—an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

**Deferred Outflows of Resources:** In the government-wide financial statements, insurance costs arising from the issuance of debt are reported as deferred outflows and amortized over the term of the related debt. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred outflows of resources for pension are reported in the government-wide financial statements of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the CalSTRS and CalPERS pension plans. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

**Deferred Inflows of Resources:** Deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred inflows of resources for pensions are reported in the government-wide financial statement of net position and result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and

## CORNING UNION HIGH SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

### **Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

### **Bond Premiums, Discounts, and Issuance Costs**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **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 CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Government-Wide Net Position**

Net position represents the difference between assets and liabilities. The District's net position is composed of the following:

*Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

# CORNING UNION HIGH SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

*Unrestricted net assets* consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

### **Fund Balance**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance* reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the board of trustees-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking some type of action imposing the commitment.

*Assigned fund balance* reflects the amounts constrained by the District's own "intent" to be used for specific purposes, but are neither restricted nor committed. The board of trustees and designee of the board of trustees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, and then unrestricted resources-committed, assigned, and unassigned-in order as needed.

### **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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

**Budgets and Budgetary Accounting**

The budgetary process is described by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2017, consisted of the following:

	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Cash in county treasury investment pool	\$ 4,811,555	\$ 1,781
Cash on hand and in banks	126,926	249,746
Cash in revolving fund	1,500	-
Investments	3,827,332	304,314
<b>Total Cash and Investments</b>	<b>\$ 8,767,313</b>	<b>\$ 555,841</b>

**Policies and Practices**

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' acceptance; 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 of first priority security; and collateralized mortgage obligations.



# **CORNING UNION HIGH SCHOOL DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

In accordance with *California Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The fair value of the District's investment in the pool is based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in related 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.

### **Custodial Credit Risk - Deposits**

Custodial credit risk 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 deposit policy for custodial credit risk. As of June 30, 2017 all of the District's deposits were insured.

### **Custodial Credit Risk - Investments**

For an investment, custodial credit risk is the risk that in the event of a bank failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2017 all of the District's investments were insured.

### **Credit Risk - Investments**

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. *California Government Code* Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the county investment pool is unrated. At June 30, 2017, the District's investments were rated as follows:

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

	<b>Rating Agency</b>	<b>Rating</b>	<b>% of Total Investments</b>
Municipal bonds	S&P	A	11.23%
Municipal bonds	S&P	AA	55.32%
Municipal bonds	Moody	A2	1.95%
Municipal bonds	Moody	Aa3	1.76%
Municipal bonds	Moody	Aaa	0.26%
Municipal bonds	Moody	Baa1	3.43%
Corporate bonds	S&P	A	0.82%
Corporate bonds	S&P	AA	0.25%
Corporate bonds	S&P	BBB	0.58%
Corporate/Government bonds	Moody	Aaa	20.19%
Preferred/Fixed securities	Unrated	N/A	0.76%
Mutual funds	Unrated	N/A	3.47%

**Concentration of Credit Risk – Investments**

Concentration risk is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. *California Government Code* Section 53635 limits the investments in the County Treasurer's investment pool to no more than 40% invested in eligible commercial paper, no more than 10% invested in the outstanding commercial paper of any single issuer, and no more than 10% of the outstanding commercial paper of any single issuer may be purchased. *California Government Code* Section 53601 limits the District's investments to no more than 5% invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% invested in any one mutual fund; no more than 25% invested in commercial paper; no more than 30% invested in bankers' acceptances of any one commercial bank; no more than 30% invested in negotiable certificates of deposit; no more than 20% invested in reverse repurchase agreements; and no more than 30% invested in medium-term notes. The District does not have an investment in any one issuer that is in excess of 5 percent.

**Interest Rate Risk - Investments**

Interest rate risk 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 manages its exposure to interest rate risk by investing in the County Treasury. *California Government Code* Section 53601 limits the District's investments to maturities of five years. The County Treasurer's investment pool has an average maturity of three years. Investments grouped by maturity date at June 30, 2017, are as follows:

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

	<b>Fair Value</b>	<b>Less than One Year</b>	<b>One to Five Years</b>
Bonds & fixed income securities	\$ 3,988,092	\$ -	\$ 3,988,092
Mutual funds	143,554	143,554	-
<b>Total Investments</b>	<b>\$ 4,131,646</b>	<b>\$ 143,554</b>	<b>\$ 3,988,092</b>

**Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's fair value measurements at June 30, 2017 are valued using quoted market prices (Level 1 inputs).

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, consisted of the following:

	<b>General Fund</b>	<b>Foundation Special Revenue Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal Government					
Categorical programs	\$ 148,539	\$ -	\$ -	\$ 91,045	\$ 239,584
State Government					
Categorical programs	15,757	-	-	2,884	18,641
Lottery	83,490	-	-	-	83,490
Local Sources	393,410	-	500	14,353	408,263
<b>Total</b>	<b>\$ 641,196</b>	<b>\$ -</b>	<b>\$ 500</b>	<b>\$ 108,282</b>	<b>\$ 749,978</b>

**4. INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due From/Due To)**

Interfund receivable and payable balances at June 30, 2017, were as follows:

	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
General Fund	\$ 77,579	\$ -
Foundation Special Revenue Fund	-	12,687
Building Fund	-	64,936
Non-Major Governmental Funds	64,936	64,892
<b>Total</b>	<b>\$ 142,515</b>	<b>\$ 142,515</b>

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers**

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

Interfund transfers for the year ended June 30, 2017, were as follows:

	Transfers Out	Transfers In
General Fund	\$ 15,513	\$ -
Non-Major Governmental Funds	-	15,513
<b>Total</b>	<b>\$ 15,513</b>	<b>\$ 15,513</b>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 357,500	\$ -	\$ -	\$ 357,500
Construction in progress	-	262,976	-	262,976
Total capital assets not being depreciated	357,500	262,976	-	620,476
Capital assets being depreciated:				
Buildings	17,923,058	-	-	17,923,058
Improvements of sites	3,558,661	-	-	3,558,661
Furniture and equipment	895,812	100,384	-	996,196
Vehicles	912,373	36,782	-	949,155
Total capital assets being depreciated	23,289,904	137,166	-	23,427,070
Less accumulated depreciation for:				
Buildings	8,920,981	439,533	-	9,360,514
Improvements of sites	750,045	160,034	-	910,079
Furniture and equipment	485,009	41,601	-	526,610
Vehicles	294,283	59,163	-	353,446
Total accumulated depreciation	10,450,318	700,331	-	11,150,649
Total capital assets being depreciated, net	12,839,586	(563,165)	-	12,276,421
<b>Governmental activities capital assets, net</b>	<b>\$ 13,197,086</b>	<b>\$ (300,189)</b>	<b>\$ -</b>	<b>\$ 12,896,897</b>

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 429,938
Instruction-related services	6,226
Pupil services	52,196
Ancillary services	8,043
Community services	14,775
Plant services	189,153
<b>Total Depreciation Expense</b>	<b>\$ 700,331</b>

**6. ACCOUNTS PAYABLE**

Accounts payable at June 30, 2017, consisted of the following:

	<b>General Fund</b>	<b>Foundation Special Revenue Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Vendor payables	\$ 142,521	\$ 3,640	\$ 319,409	\$ 2,838	\$ 468,408
Payroll and benefits	347,818	-	-	1,441	349,259
Due to other governments	89,654	201	-	162	90,017
<b>Total</b>	<b>\$ 579,993</b>	<b>\$ 3,841</b>	<b>\$ 319,409</b>	<b>\$ 4,441</b>	<b>\$ 907,684</b>

**7. LONG-TERM OBLIGATIONS**

Long-term obligations include debt and other long-term liabilities. A schedule of changes in long-term obligations for the year ended June 30, 2017, is shown below:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
Compensated absences	\$ 34,693	\$ 25,524	\$ -	\$ 60,217	\$ -
Qualified zone academy bonds	2,723,125	-	99,697	2,623,428	105,239
Bond issuance premium	-	123,251	-	123,251	4,108
General obligation bonds	-	3,000,000	-	3,000,000	-
Capital leases	446,768	36,782	113,131	370,419	115,594
Early retirement incentives	30,000	10,000	30,000	10,000	10,000
Long-term line of credit	410,180	13,412	-	423,592	-
Net OPEB obligation	519,745	21,309	-	541,054	-
Net pension liability	9,459,318	1,216,983	-	10,676,301	-
<b>Total</b>	<b>\$ 13,623,829</b>	<b>\$ 4,447,261</b>	<b>\$ 242,828</b>	<b>\$ 17,828,262</b>	<b>\$ 234,941</b>

The compensated absences will be paid by the fund for which the employee worked.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

**8. QUALIFIED ZONE ACADEMY BONDS**

In November 2013, the District issued Qualified Zone Academy Bonds totaling \$2,864,000 to facilitate the construction of solar panels. The bonds bear interest at 1.5% and are payable over 17 years. On June 30, 2017, the principal balance outstanding was \$2,623,428. Projected principal and interest payments are as follow:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 105,239	\$ 38,761	\$ 144,000
2019	114,841	37,159	152,000
2020	124,649	35,351	160,000
2021	126,529	33,471	160,000
2022-2026	903,623	131,767	1,035,390
2028-2031	1,130,747	53,886	1,184,633
2032	117,800	663	118,463
<b>Totals</b>	<b>\$ 2,623,428</b>	<b>\$ 331,058</b>	<b>\$ 2,954,486</b>

**9. GENERAL OBLIGATION BONDS**

In November 2016, voters approved Measure K, a \$8,300,000 general obligation bond authorization for the District. The proceeds will be used to improve the quality of education by repairing/replacing leaky roofs; making health, safety, and security improvements; updating inadequate electrical and technology infrastructure; modernizing/renovating outdated classrooms, restrooms, and school facilities; and replacing temporary portables with permanent classrooms. In April 2017, Series 2017 of these bonds were issued for \$3,000,000. The bonds are general obligations of the District, and the county is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of bonds.

The outstanding general obligation bond debt of the District is:

<b>Issue Date</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Outstanding July 1, 2016</b>	<b>Issued Current Year</b>	<b>Outstanding June 30, 2017</b>
2017	2-5.00%	8/1/2046	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
<b>Total</b>			<b>\$ 3,000,000</b>	<b>\$ -</b>	<b>\$ 3,000,000</b>	<b>\$ 3,000,000</b>

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

The annual requirements to amortize the general obligation bonds payable are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ 97,680	\$ 97,680
2019	180,000	116,600	296,600
2020	185,000	112,025	297,025
2021	5,000	109,175	114,175
2022	5,000	109,025	114,025
2023-2027	100,000	538,750	638,750
2028-2032	250,000	513,019	763,019
2033-2037	450,000	455,419	905,419
2038-2042	720,000	348,438	1,068,438
2043-2047	1,105,000	147,625	1,252,625
<b>Totals</b>	<b>\$ 3,000,000</b>	<b>\$ 2,547,756</b>	<b>\$ 5,547,756</b>

**10. CAPITAL LEASES**

The District entered into various lease agreements as lessee for financing the acquisition of vehicles and a phone system. The assets acquired through these capital leases had a book value of \$516,837 (\$669,416 cost less \$152,579 accumulated depreciation) at June 30, 2017. Future minimum lease payments are as follows:

<b>Year Ending June 30</b>	<b>Lease Payments</b>
2018	\$ 128,839
2019	101,557
2020	88,516
2021	79,633
<b>Total</b>	<b>398,545</b>
Less amount representing interest	28,126
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 370,419</b>

**11. LONG-TERM LINE OF CREDIT**

The District maintains a line of credit with Stifel Bank & Trust in order to pay for Rodgers Trust Ranch expenditures. The line of credit has an interest rate of 30-day LIBOR plus a margin of 2.5% and is collateralized against the Rodgers Ranch Stifel investment accounts. The maximum approved line of credit is \$2,680,000. The line of credit does not have a due date and the District does not intend to pay off the balance within the next year. The principal balance at June 30, 2017, was \$423,592.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

**12. FUND BALANCES**

Fund balances were categorized as follows at June 30, 2017:

	General Fund	Foundation Special Revenue Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Revolving cash	\$ 1,000	\$ -	\$ -	\$ 500	\$ 1,500
Stores inventories	-	-	-	8,745	8,745
Total Nonspendable	1,000	-	-	9,245	10,245
Restricted:					
Educational programs	261,394	-	-	-	261,394
Food services	-	-	-	62,319	62,319
Debt service	-	-	-	64,936	64,936
Capital projects	-	-	2,600,156	195,853	2,796,009
Total Restricted	261,394	-	2,600,156	323,108	3,184,658
Assigned:					
Capital projects	-	-	-	25,126	25,126
Board approved reserves	471,048	-	-	-	471,048
Server replacement	50,909	-	-	-	50,909
Future textbook adoption	65,000	-	-	-	65,000
Maintenance projects	48,000	-	-	-	48,000
Retiree benefit balance	96,444	-	-	-	96,444
Legal fees	8,292	-	-	-	8,292
Agricultural education	-	3,940,317	-	-	3,940,317
Adult education	-	-	-	14,752	14,752
Total Assigned	739,693	3,940,317	-	39,878	4,719,888
Unassigned:					
Economic uncertainties	471,047	-	-	-	471,047
Other unassigned	115,169	-	-	-	115,169
Total Unassigned	586,216	-	-	-	586,216
<b>Total</b>	<b>\$ 1,588,303</b>	<b>\$ 3,940,317</b>	<b>\$ 2,600,156</b>	<b>\$ 372,231</b>	<b>\$ 8,501,007</b>

**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Plan Description**

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by the District. The plan provides postemployment healthcare benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District provides medical benefits to certificated retirees and their dependents until age 65.

The District also provides postemployment health care benefits to all classified employees and their dependents who retire from the District if hired prior to July 1, 2006. The classified retirees shall be included in the program until age 65.

At June 30, 2017, 11 retirees met these eligibility requirements.



**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

**Funding Policy**

The District contributes the cost of the premium in effect in the year of the employee's retirement, subject to the District's cap on the benefits.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 178,770
Interest on net OPEB obligation	20,790
Adjustment to annual required contribution	(30,057)
Annual OPEB cost (expense)	169,503
Contributions made	(148,194)
Increase in net OPEB obligation	21,309
Net OPEB obligation, beginning of the year	519,745
Net OPEB obligation, end of the year	\$ 541,054

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation
6/30/15	\$ 239,459	\$ 126,199	52.70%	\$ 433,975
6/30/16	\$ 237,440	\$ 151,670	63.88%	\$ 519,745
6/30/17	\$ 169,503	\$ 148,194	87.43%	\$ 541,054

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

**Funding Status and Funding Progress**

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 1,557,607
Actuarial value of assets	-
Unfunded AAL (UAAL)	\$ 1,557,607
Funded ratio	0%
Covered payroll	\$ 7,143,642
UAAL as % of covered payroll	22%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 of benefits costs between the employer and plan members to that point. 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.

In the July 1, 2015 actuarial valuation, the projected unit credit using full accrual at full eligibility age actuarial method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after five years. The actuarial method used for valuing assets is market. The plan's unfunded actuarial accrued liability is being amortized over 30 years in level dollar amounts on a closed basis. Demographic and other assumptions include (1) mortality rates; (2) public education retirement rates; (3) termination rates by age, gender, and years of service; and (4) district salary schedules.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

**14. PENSION PLANS**

**Plan Descriptions**

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the School Employer Pool California Public Employees' Retirement System (CalPERS). Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law and the Public Employees' Retirement Law. Support by the state for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites at [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided**

The plans provide retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire with five years of total service at age 60, or with 30 years of total service at age 50, for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1-2.4%	1.0-2.4%	1.1-2.5%	1.0-2.5%

**Contributions – CalPERS**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contributions to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$305,470 for the year ended June 30, 2017.

**Contributions – CalSTRS**

Active plan members are required to contribute either 10.250% (2% at 60) or 9.205% (2% at 62) of their salary for fiscal year 2017 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$571,118 for the year ended June 30, 2017.

**On Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$373,247 to CalSTRS.

**Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS
District's proportionate share of the net pension liability	\$ 7,279,290	\$ 3,397,011
State's proportionate share of the net pension liability	4,144,580	-
<b>Total</b>	<b>\$ 11,423,870</b>	<b>\$ 3,397,011</b>

The net pension liability of each of the plans was measured as of June 30, 2016, and the total pension liability for each Plan 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 plans relative to the projected contributions of all participating employers, actuarially determined.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

The District's proportionate share of the net pension liability for each plan was as follows:

	<b>CalSTRS</b>	<b>CalPERS</b>
Proportion - June 30, 2015	0.0100%	0.0185%
Proportion - June 30, 2016	0.0090%	0.0172%
Change - Increase (Decrease)	-0.0010%	-0.0013%

For the year ended June 30, 2017, the District recognized pension expense of \$1,518,176. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
District contributions subsequent to the measurement date	\$ 876,586	\$ -
Differences between actual and expected experience	146,104	177,570
Differences between projected and actual earnings on plan investments	1,105,807	-
Changes in assumptions	-	102,060
Changes in employer's proportion and differences between employer's contributions and employer's proportionate share of contributions	510,178	759,461
<b>Total</b>	<b>\$ 2,638,675</b>	<b>\$ 1,039,091</b>

\$876,586 reported as 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2018	\$ 588,327	\$ 275,989
2019	583,331	270,617
2020	380,559	222,273
2021	209,872	222,273
2022	-	32,408
2023	-	15,533
<b>Total</b>	<b>\$ 1,762,089</b>	<b>\$ 1,039,091</b>

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2017

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>CalSTRS</b>	<b>CalPERS</b>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Investment Rate of Return	7.50% (1)	7.50% (1)
Interest on Member Accounts	4.50%	

(1) Net of pension plan investment and 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 table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the CalSTRS June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the January 2014 CalPERS Experience Study.

The long-term expected rate of return on CalPERS 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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. 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 returns were calculated over the short-term (first 10 years) and 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 quarter of one percent.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

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 rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Strategic Allocation</b>	<b>Real Return Years 1-10*</b>	<b>Real Return Years 11+**</b>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	12%	4.50%	5.13%
Liquidity	1%	-0.55%	-1.05%

\* An expected inflation of 2.5% used for this period.

\*\* An expected inflation of 3.0% used for this period.

The long-term expected rate of return on CalSTRS 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 investments 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 ending June 30, 2016 are summarized in the following table:

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

\*20-year geometric average

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

**Sensitivity to 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 for each plan, calculated using the discount rate for each plan, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 10,476,540	\$ 5,068,359
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 7,279,290	\$ 3,397,011
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 4,623,840	\$ 2,005,284

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**15. PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): North Valley Schools Insurance Group (NVSIG), Northern California Schools Insurance Group (NCSIG), Tri-Counties Schools Insurance Group (TCSIG), Schools Excess Liabilities Fund (SELF), Northern California Relief (ReLiEF), and a jointly managed health and welfare benefit trust with California's Valued Trust (CVT). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property and liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of the 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 requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.



**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

**16. RISK MANAGEMENT**

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

**17. COMMITMENTS AND CONTINGENCIES**

The District received financial assistance from federal and state government agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have material effect on any of the financial statements of the individual funds or the overall financial position of the District at June 30, 2017.

**18. SUBSEQUENT EVENT**

In October of 2017, the District entered into a Settlement Agreement and General Release with its former Superintendent (the Employee). In consideration for the Employee's resignation effective September 30, 2017, and settlement of any existing or potential disputes, the Employee will be paid an amount equal to seven months compensation (\$93,937) within a scheduled time frame. The outstanding loan balance referenced in Note 20 will be repaid from this amount. Following the District's receipt of the Fiscal Crisis Management Assistance Team's Assembly Bill (AB) 139 audit report, the District and the Employee shall negotiate in good faith to resolve any amounts owed by the District and/or Employee based on the District's internal investigation, the audit report, and such further information provided by the Employee.

**19. NEW ACCOUNTING PRONOUNCEMENTS**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement's objective is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement's primary objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This standard's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

**20. RELATED PARTY TRANSACTION**

During July of 2014, the District made a loan in the amount of \$25,000 to the Superintendent, John Burch, to provide assistance to the Superintendent for relocation in the District boundaries. The loan bears interest at 5% and is being paid back in 60 monthly installments of \$471.78 beginning on August 31, 2014, in an automatic deduction from payroll. The principal balance of the loan at June 30, 2017, was \$11,298. See Note 18.

---

## REQUIRED SUPPLEMENTARY INFORMATION

---

**CORNING UNION HIGH SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
Year Ended June 30, 2017

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
LCFF sources	\$ 9,274,316	\$ 9,279,288	\$ 9,288,691	\$ 9,403
Federal revenue	725,668	767,137	705,108	(62,029)
Other state revenue	474,404	1,209,479	1,216,253	6,774
Other local revenue	784,450	743,424	946,324	202,900
<b>Total Revenues</b>	<b>11,258,838</b>	<b>11,999,328</b>	<b>12,156,376</b>	<b>157,048</b>
<b>EXPENDITURES</b>				
Certificated salaries	4,586,226	4,731,891	4,721,534	10,357
Classified salaries	2,013,625	2,088,551	2,088,549	2
Employee benefits	2,421,310	2,804,011	2,792,215	11,796
Books and supplies	670,914	893,144	774,483	118,661
Services and other operating	1,092,815	1,278,671	1,079,373	199,298
Other outgo	124,599	47,852	31,245	16,607
Direct support/indirect costs	-	(29,535)	(29,534)	(1)
Capital outlay	73,287	107,128	86,260	20,868
Debt service:				-
Principal	137,992	141,007	212,829	(71,822)
Interest	44,521	44,521	56,011	(11,490)
<b>Total Expenditures</b>	<b>11,165,289</b>	<b>12,107,241</b>	<b>11,812,965</b>	<b>294,276</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>93,549</b>	<b>(107,913)</b>	<b>343,411</b>	<b>451,324</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out		(15,513)	(15,513)	-
Other sources	-	-	36,782	36,782
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(15,513)</b>	<b>21,269</b>	<b>36,782</b>
<b>Net Change in Fund Balance</b>	<b>93,549</b>	<b>(123,426)</b>	<b>364,680</b>	<b>488,106</b>
<b>Fund Balance - Beginning</b>	<b>1,223,623</b>	<b>1,223,623</b>	<b>1,223,623</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,317,172</b>	<b>\$ 1,100,197</b>	<b>\$ 1,588,303</b>	<b>\$ 488,106</b>

See the accompanying notes to the required supplementary information.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOUNDATION SPECIAL REVENUE FUND**  
Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Other state revenue	\$ -	\$ -	\$ 539	\$ 539
Other local revenue	240,675	265,675	25,758	(239,917)
<b>Total Revenues</b>	240,675	265,675	26,297	(239,378)
<b>EXPENDITURES</b>				
Certificated salaries	11,500	11,500	6,502	4,998
Classified salaries	54,483	27,965	24,694	3,271
Employee benefits	29,502	14,718	13,888	830
Books and supplies	77,563	79,563	20,052	59,511
Services and other operating	186,297	186,297	108,695	77,602
Capital outlay	-	50,907	50,907	-
Debt service:				
Interest	-	-	13,412	(13,412)
<b>Total Expenditures</b>	359,345	370,950	238,150	132,800
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(118,670)	(105,275)	(211,853)	(106,578)
<b>Other Financing Sources (Uses)</b>				
Other sources	-	-	13,412	13,412
<b>Total Other Financing Sources (Uses)</b>	-	-	13,412	13,412
<b>Net Change in Fund Balance</b>	(118,670)	(105,275)	(198,441)	(93,166)
<b>Fund Balance - Beginning</b>	4,138,758	4,138,758	4,138,758	-
<b>Fund Balance - Ending</b>	\$ 4,020,088	\$ 4,033,483	\$ 3,940,317	\$ (93,166)

*See the accompanying notes to the required supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER**  
**POSTEMPLOYMENT BENEFITS**  
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value -	Actuarial		Funded Ratio	Covered Payroll	UAAAL as a
		Accrued Liability (AAL)	Unfunded AAL (UAAAL)			Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 1,633,672	\$ 1,633,672	0%	\$ 6,022,153	27.1%
July 1, 2012	\$ -	\$ 2,008,438	\$ 2,008,438	0%	\$ 6,003,820	33.5%
July 1, 2015	\$ -	\$ 1,557,607	\$ 1,557,607	0%	\$ 6,856,939	22.7%

*See the accompanying notes to the required supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY -**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
Last Three Fiscal Years \*

	Year Ended June 30		
	2017	2016	2015
District's proportion of the net pension liability	0.009%	0.010%	0.009%
District's proportionate share of the net pension liability	\$ 7,279,290	\$ 6,732,400	\$ 5,259,330
State's proportionate share of the net pension liability	4,144,580	3,560,688	3,175,842
Total	\$ 11,423,870	\$ 10,293,088	\$ 8,435,172
District's covered-employee payroll	\$ 4,777,683	\$ 4,539,416	\$ 4,666,724
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	152.36%	148.31%	112.70%
Plan fiduciary net position as a percentage of total pension liability	70.04%	74.02%	76.52%

\*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

*See the accompanying notes to the required supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS -**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
Last Three Fiscal Years\*

	Year Ended June 30		
	2017	2016	2015
Contractually required contribution	\$ 571,118	\$ 465,557	\$ 385,295
Contributions in relation to the contractually required contribution	(571,118)	(465,557)	(385,295)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,777,683	\$ 4,539,416	\$ 4,666,724
Contributions as a percentage of covered employee payroll	11.95%	10.26%	8.26%

\*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

*See the accompanying notes to the required supplementary information.*



**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY -**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
Last Three Fiscal Years\*

	Year Ended June 30		
	2017	2016	2015
District's proportion of the net pension liability	0.0172%	0.0185%	0.0177%
District's proportionate share of the net pension liability	\$ 3,397,011	\$ 2,726,918	\$ 2,009,381
District's covered-employee payroll	\$ 2,365,959	\$ 2,317,523	\$ 2,249,867
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	143.58%	117.67%	89.31%
Plan fiduciary net position as a percentage of total pension liability	73.90%	79.43%	83.38%

\*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

*See the accompanying notes to the required supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS -**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
Last Three Fiscal Years\*

	Year Ended June 30		
	2017	2016	2015
Contractually required contribution	\$ 305,470	\$ 244,153	\$ 241,786
Contributions in relation to the contractually required contribution	(305,470)	(244,153)	(241,786)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,365,959	\$ 2,317,523	\$ 2,249,867
Contributions as a percentage of covered employee payroll	12.91%	10.54%	10.75%

\*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

*See the accompanying notes to the required supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2017

**1. BUDGETS**

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

**2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

**Benefit Changes**

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

**Changes in Assumptions**

There were no changes in major assumptions from the June 30, 2015, actuarial valuation.

**3. PENSION – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**Benefit Changes**

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

**Changes in Assumptions**

There were no changes in major assumptions from the June 30, 2015, actuarial valuation.

---

## **SUPPLEMENTARY INFORMATION**

---

**CORNING UNION HIGH SCHOOL DISTRICT  
LOCAL EDUCATIONAL AGENCY ORGANIZATION**

June 30, 2017

The Corning Union High School District (the District) is located in Tehama County and was established in 1907. There were no changes in the boundaries of the District during the current year. The District is currently operating one high school, one continuation high school, one community day school, and one non-attendance based adult education program.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
James (Scott) Henderson	President	2018
Pauletta Bray	Clerk	2018
James (Jim) Bingham	Member	2018
Todd Henderson	Member	2020
Ken Vaughan	Member	2020

**ADMINISTRATION**

John Burch, Superintendent (at June 30, 2017)  
Christine Towne, Chief Business Official

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
Year Ended June 30, 2017

	<b>Second Period Report</b>	<b>Annual Report</b>
Grades 9 through 12		
Regular ADA	885	881
Total grades 9 through 12	885	881
<b>ADA Totals</b>	885	881

*See the accompanying notes to the supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2017

<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2016-17</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Actual Minutes</b>		
Grade 9	64,800	65,579	180	Complied
Grade 10	64,800	65,579	180	Complied
Grade 11	64,800	65,579	180	Complied
Grade 12	64,800	65,579	180	Complied

*See the accompanying notes to the supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2017

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
U.S. DEPARTMENT OF THE INTERIOR			
<i>Passed Through Tehama County Department of Education</i>			
Wildlife Reserve	15.608	Not applicable	\$ 1,704
<b>Total U.S. Department of the Interior</b>			<b>1,704</b>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through California Department of Education</i>			
Adult Ed & Family Literacy	84.002	14508	15,100
Adult Ed - Priority 5, Adult Secondary Education	84.002	13978	15,368
Adult Ed - English Literacy and Civics Education	84.002	14109	6,748
Total Adult Education			37,216
NCLB - Title I Basic Grants	84.010	14329	209,719
Vocational Programs - Secondary, Carl D. Perkins Act	84.048	14894	29,217
NCLB - Title V, Part B, Rural and Low Income	84.358	14356	20,507
NCLB - Title IV 21st Century Learning Centers	84.287	14349	295,000
NCLB - Title II Teacher Quality	84.367	14341	37,439
<i>Passed Through Tehama County Department of Education</i>			
Special Ed - Basic Local Assistance Entitlement	84.027	13379	108,659
<b>Total U.S. Department of Education</b>			<b>737,757</b>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through California Department of Education</i>			
Child Nutrition Cluster			
School Breakfast	10.553	13390	55,213
National School Lunch	10.555	13391	376,163
USDA Commodities	10.555	Not applicable	13,922
Total Child Nutrition Cluster			445,298
<i>Passed Through Tehama County Department of Education</i>			
Forest Reserve	10.665	Not applicable	2,863
<b>Total U.S. Department of Agriculture</b>			<b>448,161</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,187,622</b>

*See the accompanying notes to the supplementary information.*



**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

Year Ended June 30, 2017

<u>Year Ended June 30</u>	<u>(Budget) 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Fund</b>				
Revenues and Other Financing Sources	\$ 11,896,740	\$ 12,193,158	\$ 12,138,806	\$ 10,471,176
Expenditures and Other Financing Uses	12,145,582	11,828,478	11,655,348	11,289,656
Net Change in Fund Balance	<u>\$ (248,842)</u>	<u>\$ 364,680</u>	<u>\$ 483,458</u>	<u>\$ (818,480)</u>
Ending Fund Balance	<u>\$ 1,339,461</u>	<u>\$ 1,588,303</u>	<u>\$ 1,223,623</u>	<u>\$ 740,165</u>
Available Reserves*	<u>\$ 905,555</u>	<u>\$ 1,057,264</u>	<u>\$ 944,335</u>	<u>\$ 648,570</u>
Available Reserves as a Percentage of Total Outgo	<u>7.46%</u>	<u>8.94%</u>	<u>8.10%</u>	<u>5.74%</u>
Total Long-Term Debt	<u>\$ 17,593,321</u>	<u>\$ 17,828,262</u>	<u>\$ 13,623,829</u>	<u>\$ 11,344,549</u>
Average Daily Attendance at P-2	<u>899</u>	<u>885</u>	<u>875</u>	<u>889</u>

The General Fund ending fund balance has increased by \$848,138 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$248,842 (15.67%). For a district this size, the State recommends available reserves of at least 4 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by \$6,483,713 over the past two years.

Average daily attendance has decreased by 4 over the past two years. Additional growth in ADA of 14 is anticipated during fiscal year 2017-18.

\*Available reserves consist of all unassigned fund balance within the General Fund.

*See the accompanying notes to the supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH**  
**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2017

	Cafeteria Fund	Foundation Special Revenue Fund	Building Fund	Bond Interest & Redemption Fund
<b>June 30, 2017, Annual Financial and Budget Report (SACS) Fund Balances</b>	<u>\$ 84,446</u>	<u>\$ 3,958,129</u>	<u>\$ 2,665,092</u>	<u>\$ -</u>
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES				
Understatement of due to other fund	-	-	(64,936)	-
Understatement of due from other fund	-	-	-	64,936
Overstatement of cash in banks	(12,882)	-	-	-
Overstatement of accounts receivable	-	(17,812)	-	-
<b>Net Adjustments</b>	<u>(12,882)</u>	<u>(17,812)</u>	<u>(64,936)</u>	<u>64,936</u>
<b>June 30, 2017, Audited Financial Statement Fund Balances</b>	<u>\$ 71,564</u>	<u>\$ 3,940,317</u>	<u>\$ 2,600,156</u>	<u>\$ 64,936</u>

*See the accompanying notes to the supplementary information.*

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**

Year Ended June 30, 2017

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

*See the accompanying notes to the supplementary information.*

# **CORNING UNION HIGH SCHOOL DISTRICT**

## **NOTES TO THE SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2017

### **1. PURPOSE OF SCHEDULES**

#### **Schedule of Average Daily Attendance**

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46201 through 46206. The District did not meet or exceed its local control funding formula target.

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

#### **Schedule of Financial Trends and Analysis**

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

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**CORNING UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2017

**Schedule of Charter Schools**

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

---

## **OTHER INDEPENDENT AUDITORS' REPORTS**

---



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

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

To the Board of Trustees  
Corning Union High School District  
Corning, 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 Corning Union High School District School District (the 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 January 11, 2018.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questions as item 2017-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 to be significant deficiencies.

### **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*.

### **Corning Union High School District's Response to Findings**

Corning Union High School District School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Tittle & Company, LLP*

Chico, California  
January 11, 2018





TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Corning Union High School District  
Corning, California

### **Report on Compliance for Each Major Federal Program**

We have audited Corning Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Corning Union High School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Tittle & Company, LLP*

Chico, California  
January 11, 2018



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Corning Union High School District  
Corning, California

### Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs for the fiscal year ended June 30, 2017, as identified below.

### *Management's Responsibility*

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

### *Auditors' 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 Education Agencies and State Compliance Reporting*, issued by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Program Name	Procedures Performed
<b>LOCAL EDUCATION AGENCIES</b>	
<b>OTHER THAN CHARTER SCHOOLS:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not applicable
Independent Study	Yes
Continuation Education	No
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	Not applicable
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:</b>	
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	Yes
<b>CHARTER SCHOOLS:</b>	
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



Continuation Education steps (6)(a) and (6)(b) were not performed because students do not receive apportionment attendance for work experience.

Continuation Education step (6)(c) was not performed because students do not engage in independent study.

### *Opinion on State Compliance*

In our opinion, Corning Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs listed in the schedule above for the year ended June 30, 2017.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-004. Our opinion on state compliance is not modified with respect to this matter.

### *Corning Union High School District's Response to Findings*

Corning Union High School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Corning Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Tittle & Company, LLP*

Chico, California  
January 11, 2018

---

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**CORNING UNION HIGH SCHOOL DISTRICT**  
**SUMMARY OF AUDITORS' RESULTS**

Year Ended June 30, 2017

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

**CORNING UNION HIGH SCHOOL DISTRICT  
FINANCIAL STATEMENTS FINDINGS**

Year Ended June 30, 2017

**INTERNAL CONTROL (Cash Disbursements)**

30000 (2017-001)

**Material Weakness**

**Condition**

During our tests of internal controls over cash disbursements, we noted that travel expense reimbursements and credit card charges made by the Superintendent were not reviewed and approved by the governing board.

**Criteria**

Internal controls should be in place to ensure that all expenditures have proper review and approval.

**Effect**

Without strengthening internal controls over cash disbursements, expenditures may not be for valid expenditures and /or approved activities.

***Recommendation***

We recommend that the District revise its travel and expense reimbursements policies to include that all travel expense reimbursements payable to Superintendent and all credit card charges made by Superintendent be reviewed and approved by the president of the governing board.

***District's Response***

The District's administration will implement procedures during fiscal year 2017-18 to comply with the recommendation.



# **CORNING UNION HIGH SCHOOL DISTRICT FINANCIAL STATEMENTS FINDINGS**

Year Ended June 30, 2017

## **INTERNAL CONTROL (Student Body)**

30000 (2017-002)

### **Significant Deficiency**

#### **Condition**

During our tests of internal controls over student body cash disbursements, we noted the following:

1. One out of the ten disbursements tested was for an unallowable expenditure. A student was paid a scholarship award from student store funds. Scholarships paid from student body fundraisers rather than from outside donations are normally not allowable because they do not benefit a group of students. For allowable scholarship disbursements, cash awards are not allowed. Scholarship checks should be made payable to an institution of higher learning or a college bookstore, to be used toward tuition or books and supplies.
2. Checks are being written to cash for cash box start up moneys. Checks should be made payable to the person who is going to the bank to cash the check and using the "Memo" part of the check to indicate "startup funds" so that it is clear what the check was intended for.

#### **Criteria**

Internal controls should be in place to ensure that all student body expenditures have proper documentation and approval prior to payment and are for allowable expenses.

#### **Effect**

Without strengthening internal controls over student body assets, funds may not be properly safeguarded and expended for valid student body activities.

#### **Recommendation**

All student body disbursements should be for allowable expenses and checks should not be made payable to cash.

#### **District's Response**

The District's administration will implement procedures during fiscal year 2017-18 to comply with the recommendation.

**CORNING UNION HIGH SCHOOL DISTRICT  
FINANCIAL STATEMENTS FINDINGS**

Year Ended June 30, 2017

**INTERNAL CONTROL (Cash Receipts)**

30000 (2017-003)

**Significant Deficiency**

**Condition**

During our tests of internal controls over the cafeteria clearing account, we noted that deposits were not being transferred to the County Treasury on a timely basis (two times per year).

**Criteria**

Internal controls should be in place to provide that funds in the clearing account are transferred to the County Treasury on a timely basis to allow cash sales to be recorded as local revenue.

**Effect**

Without strengthening internal controls over cash receipts, cafeteria assets may not be properly safeguarded. Additionally, the clearing account funds do not accrue the eligible Tehama County Treasurer interest and are not available for necessary cash disbursements.

***Recommendation***

Procedures should be implemented to ensure cafeteria clearing account deposits are transferred to the County Treasury on a monthly basis.

***District's Response***

The District's administration will implement procedures during fiscal year 2017-18 to comply with the recommendation.

**CORNING UNION HIGH SCHOOL DISTRICT**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2017

None.

**CORNING UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2017

**SCHOOL ACCOUNTABILITY REPORT CARD**

72000 (2017-004)

**Significant Deficiency**

**Condition**

The information on the Facility Inspection Tool for Centennial High School did not agree to the information reported on the 2015-16 School Accountability Report Card (SARC) that was published during the 2016-17 school year.

**Criteria**

Education Code Section 33126 (b) (8) requires that information on the safety, cleanliness, and adequacy of school facilities be reported in the School Accountability Report Card. Pursuant to the provisions of subdivision (d) of Education Code Section 17002, school districts must complete a "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction or a local evaluation instrument that meets the same criteria.

**Effect**

The District is not in compliance with Education Code Section 33126 (b) (8) or Education Code Section 17002 (d) for accurate reporting on school facilities information for the school site or use of an evaluation instrument that meets the criteria, respectively.

***Recommendation***

We recommend that the District utilize the Facilities Inspection Tool developed by the Office of Public School Construction and report the results of this tool in the SARC.

***District Response***

The District's management will implement procedures during the 2017-18 fiscal year to comply with the

**CORNING UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2017

**INTERNAL CONTROL (Student Body)**

30000 (2016-001)

**Significant Deficiency**

**Condition**

Our test of internal controls over student body cash disbursements resulted in one of the ten disbursements tested not containing proper supporting documentation. Our test of internal controls over student body cash disbursements resulted in one of the ten disbursements tested being for unallowable expenditures. One student was paid for working as a shot clock operator. Payments to students for services must be paid through the District Payroll and not through ASB.

**Criteria**

Internal controls should be in place to provide that all student body expenditures have proper documentation and approval prior to payment and are for allowable expenses.

**Effect**

Without strengthening internal controls over student body assets, funds may not be properly safeguarded and expended for valid student body activities.

**Recommendation**

All disbursements should have proper documentation and authorization and be reviewed for allowability prior to payment.

**Current Status**

See current year finding at 2017-002.

**CORNING UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2017

**SCHOOL ACCOUNTABILITY REPORT CARD**

72000 (2016-002)

**Significant Deficiency**

**Condition**

The District could not provide a Facility Inspection Tool or a local evaluation instrument that meets the criteria noted in Education Code Section 17002 for the information reported on the 2014-15 SARC that was published during the 2015-16 school year.

**Criteria**

Education Code Section 33126 (b) (8) requires that information on the safety, cleanliness, and adequacy of school facilities be reported in the Schools Accountability Report Card. Pursuant to the provisions of subdivision (d) of Education Code Section 17002, school districts must complete a "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction or a local evaluation instrument that meets the same criteria.

**Effect**

The District is not in compliance with Education Code Section 33126 (b) (8) or Education Code Section 17002 (d) for accurate reporting on school facilities information for the school site or use of an evaluation instrument that meets the criteria, respectively.

**Recommendation**

We recommend that the District utilize the Facilities Inspection Tool developed by the Office of Public School Construction and report the results of this tool in the SARC.

**Current Status**

See current year finding at 2017-004.

**CORNING UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2017

**STATE COMPLIANCE (Unduplicated Pupil Count)**

40000 (2016-003)

**Significant Deficiency**

**Condition**

During our testing of the Unduplicated Pupil Count we found four students that were marked as English Learners (EL) on the certified CALPADS report but no longer qualified for EL status and should have been redesignated out of the program before the census date of 10/1/2015. The unduplicated count for Free and Reduced Price (FRPM) eligible students was adequately supported

**Criteria**

Pursuant to Education Code 2574(b)(2) and 42238, the District is required to report the Unduplicated Pupil Count and Percentage to CALPADS to be used for LCFF funding purposes.

**Effect**

The table below summarizes the incorrectly reported pupil counts. There were no changes to the reported enrollment count. Without strengthening controls over the CALPADS reporting process, the Unduplicated Pupil Count may not be accurately reported to the California Department of Education for LCFF funding purposes. The current year LCFF state aid funding was overstated in the current year by \$4,336.

	<b>Total Enrollment</b>	<b>Free and Reduced Meal Program (FRPM)</b>	<b>English Learners (ELAS)</b>	<b>Both FRPM &amp; ELAS</b>	<b>Unidentified UPC (District funded county, etc.)</b>	<b>Total</b>
Funded under LCFF	926	571	20	70	1	662
Audit Adjustments	-	-	(4)	-	-	(4)
Adjusted Counts	926	571	16	70	1	658

**Recommendation**

We recommend that the District implement procedures to ensure that students are properly classified in CALPADS for reporting the Unduplicated Pupil Counts.

**Current Status**

Fully implemented.