

Corning Union High School District

**County of Tehama
Corning, California**

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

June 30, 2018



**K • C O E
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Corning Union High School District

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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 Corning Union High School District (the District) as of and for the year ended June 30, 2018; 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

The District's 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 of America. 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 auditors' 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 District as of June 30, 2018; and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 81 to 86 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT

(Continued)

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 information on pages 83 to 87 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of the 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 the District's internal control over financial reporting and compliance.

KCoe Jam, LLP

January 14, 2019
Redding, California

FINANCIAL SECTION

Required Supplementary Information

INTRODUCTION

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, 2018. Please read it in conjunction with the Independent Auditors' Report and the District's financial statements, which immediately follow this section.

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2017, has not been restated to reflect OPEB expense accounting as required by GASB Statement No. 75, as amended by GASB Statement No. 85. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2016-17 and 2017-18 due to information for the two years not being comparable.

FINANCIAL HIGHLIGHTS

- Overall revenues totaled \$14,010,239. Current-year expenses exceeded revenues by \$104,340 as a result of:
 - Expending prior-year CTE grant revenue.
 - The District negotiated a 2% salary increase for all employees. This impacted salaries and benefits by \$177,620.
 - An increase in SELPA Revenue allocation.
- Capital assets, net of depreciation, increased by \$1,739,828 which is attributed to depreciation expense netted against fixed asset additions.
- Long-term debt has increased by \$619,895 primarily from the increase in the net pension liability for the CalSTRS and CalPERS retirement plans.
- Enrollment in the District increased by 32 students.
- The District maintains sufficient reserves for a district this 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 the fiscal year, General Fund expenditures and other financing uses totaled \$12,112,220 for the fiscal year ended June 30, 2018; the District has available reserves of \$916,391 in the General Fund, which represents a reserve of 8%.

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.
 - 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.

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

In the statement of net position 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 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 Cafeteria Special Revenue 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 in the funds and are used for their intended purposes.

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$3,941,648 for the fiscal year ended June 30, 2018. Of this amount, a negative \$5,502,257 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 \$104,430 during the fiscal year 2017-18.

Table 1: Statement of Net Position – Governmental Activities

June 30	Governmental Activities		Percentage Change
	2017	2018	2017-18
ASSETS			
Current and other assets	\$ 9,579,597	\$ 7,742,966	-19.2%
Capital assets - net of accumulated depreciation	12,896,897	14,636,725	13.5%
TOTAL ASSETS	22,476,494	22,379,691	-0.4%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	2,638,674	3,644,565	38.1%
LIABILITIES			
Accounts payable and other current liabilities	1,025,029	757,362	-26.1%
Long-term debt	19,005,060 *	19,624,955	3.3%
TOTAL LIABILITIES	20,030,089 *	20,382,317	1.8%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	1,039,091	1,654,378	59.2%
Deferred inflows of resources for OPEB	-	45,913	N/A
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,039,091	1,700,291	63.6%
NET POSITION			
Net investment in capital assets	9,216,482	8,553,351	-7.2%
Restricted	4,587,625	890,554	-80.6%
Unrestricted	(9,758,119) *	(5,502,257)	43.6%
TOTAL NET POSITION	\$ 4,045,988 *	\$ 3,941,648	-2.6%

* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

Years Ended June 30	Governmental Activities		Percentage
	2017	2018	Change 2017-18
REVENUES			
Program Revenues			
Charges for services	\$ 92,260	\$ 114,327	23.9%
Operating grants and contributions	2,386,617	2,699,077	13.1%
General Revenues			
Federal and state aid not restricted	7,445,130	7,864,993	5.6%
Property taxes	2,215,172	2,695,036	21.7%
Other general revenues	847,681	636,806	-24.9%
TOTAL REVENUES	12,986,860	14,010,239	7.9%
EXPENSES			
Instruction	6,936,433	6,945,707	0.1%
Instruction-related services	1,007,195	989,289	-1.8%
Pupil services	2,129,662	2,490,344	16.9%
General administration	1,129,882	1,240,071	9.8%
Plant services	1,664,770	1,709,230	2.7%
Ancillary services	403,682	397,536	-1.5%
Community services	133,230	70,781	-46.9%
Interest on long-term debt	114,423	222,985	94.9%
Other outgo	188,943	48,636	-74.3%
TOTAL EXPENSES	13,708,220	14,114,579	3.0%
Change in Net Position	\$ (721,360)	\$ (104,340)	85.5%

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GOVERNMENTAL ACTIVITIES

- The net cost of the District's governmental activities for the year was \$11,301,175.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$2,699,077.
- The District's expenses were predominately related to educating and caring for students (73.9%).
- Administrative activities accounted for 8.8% of total costs.
- Most of the District's costs were financed by District (\$2,695,036) and federal and state (\$7,864,993) taxpayers, and other local and miscellaneous earnings (\$636,806).

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

Years Ended June 30	Total Cost of Services		Percentage Change 2017-18
	2017	2018	
Instruction	\$ 6,936,433	\$ 6,945,707	0.1%
Instruction-related services	1,007,195	989,289	-1.8%
Pupil services	2,129,662	2,490,344	16.9%
General administration	1,129,882	1,240,071	9.8%
Plant services	1,664,770	1,709,230	2.7%
Ancillary services	403,682	397,536	-1.5%
Community services	133,230	70,781	-46.9%
Interest on long-term debt	114,423	222,985	94.9%
Other outgo	188,943	48,636	-74.3%
Totals	\$ 13,708,220	\$ 14,114,579	3.0%

Years Ended June 30	Net Cost of Services		Percentage Change 2017-18
	2017	2018	
Instruction	\$ 5,644,083	\$ 5,737,408	1.7%
Instruction-related services	753,077	601,775	-20.1%
Pupil services	1,371,693	1,434,000	4.5%
General administration	997,929	1,116,322	11.9%
Plant services	1,651,162	1,702,523	3.1%
Ancillary services	391,022	393,867	0.7%
Community services	132,931	70,781	-46.8%
Interest on long-term debt	114,423	222,985	94.9%
Other outgo	173,023	21,514	-87.6%
Totals	\$ 11,229,343	\$ 11,301,175	0.6%

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GOVERNMENTAL FUNDS

The District's governmental funds reported a combined fund balance of \$6,983,816, which is a decrease of \$1,517,191 from the previous year. Following is a summary of the District's fund balances.

Table 4: Fund Balances

June 30	Fund Balance		Increase (Decrease)
	2017	2018	
General	\$ 1,588,303	\$ 2,319,937	\$ 731,634
Adult Education	14,752	7,717	(7,035)
Cafeteria Special Revenue	71,564	23,093	(48,471)
Deferred Maintenance	25,126	147,251	122,125
Foundation Special Revenue	3,940,317	3,822,401	(117,916)
Building	2,600,156	124,420	(2,475,736)
Capital Facilities	195,853	263,736	67,883
Bond Interest and Redemption	64,936	275,261	210,325
Totals	\$ 8,501,007	\$ 6,983,816	\$ (1,517,191)

The General Fund increase is primarily due to diligent budget processes with all department expenses within their allowable budget amount. Any large projects or expenses were reviewed and approved before carrying out the expense. Also, the District properly utilized increased grant revenues for allowable expenditures.

The Cafeteria Special Revenue Fund decrease is due to the increase in food and supply costs. The increase can also be attributed to the negotiated salary increase. Food service received two column movements to avoid minimum wage issues—an approximate 4% increase for food service employees. The cafeteria also began participating in the summer food service program which has had a financial impact, but benefitted the students who are able to get lunch every day during summer months when there are no instructional days.

The Deferred Maintenance Fund increase is due to a commitment of local control funding formula sources toward future deferred maintenance needs.

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 Building Fund decrease is due to use of the Measure K general obligation bonds to complete improvements throughout the District.

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 increase is due to property taxes collected in excess of current debt service payments. The excess will be used for future debt service as the bonds mature.

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 the 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.
- Assets and realign estimated expenses for the immediate needs and ongoing 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.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$288,149. The actual results for the year showed an increase in fund balance of \$731,634.

This increase is a result of not expending funds that were budgeted within various departments.

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, 2018, the District had invested \$26,594,947 in a broad range of capital assets including land, construction in progress, school buildings and improvements, and equipment (see table 5). This amount represents an increase of \$2,547,401, or 10.6%, from last year. During 2017-18, the District completed improvements to the track and stadium, as well as safety improvements, and purchased various small equipment. The District began improvements to the gym and District modernization. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Corning Union High School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 5: Capital Assets – Governmental Funds

June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
Land	\$ 357,500	\$ 357,500	0.0%
Construction in progress	262,976	766,102	191.3%
Buildings	17,923,058	18,035,282	0.6%
Site improvements	3,558,661	5,433,108	52.7%
Equipment	996,196	1,022,995	2.7%
Vehicles	949,155	979,960	3.2%
Totals	\$ 24,047,546	\$ 26,594,947	10.6%

Long-Term Debt

The most significant increase to long-term debt was due to the change in the District's proportionate share of the net pension liability. The District made regularly scheduled payments on the capital leases and note payable, and paid down the line of credit. The long-term line of credit was used to accelerate completion of approved projects at the ranch providing expansion of instructional programs for the immediate use of CUHS students.

Table 6: Long-Term Debt

June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
Compensated absences	\$ 60,217	\$ 49,198	-18.3%
General obligation bonds	3,000,000	3,000,000	0.0%
Bond issuance premium	123,251	119,143	-3.3%
Capital leases	370,419	210,560	-43.2%
Note payable	2,623,428	2,518,189	-4.0%
Early retirement incentives	10,000	90,000	800.0%
Long-term line of credit	423,592	359,902	-15.0%
Total OPEB liability	1,717,852 *	1,759,145	2.4%
Net pension liability	10,676,301	11,518,818	7.9%
Totals	\$ 19,005,060 *	\$ 19,624,955	3.3%

* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.

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.
- Continued increases to CalSTRS and CalPERS retirement costs.
- Annual minimum wage increases.

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

Basic Financial Statements

Corning Union High School District
STATEMENT OF NET POSITION

June 30, 2018	Governmental Activities
ASSETS	
Cash and investments	\$ 6,596,177
Accounts receivable	395,126
Due from other governments	746,309
Inventories	5,354
Nondepreciated capital assets	1,123,602
Depreciated capital assets	25,471,345
Accumulated depreciation	(11,958,222)
TOTAL ASSETS	22,379,691
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	3,644,565
LIABILITIES	
Accounts payable and other current liabilities	623,809
Due to other governments	70,869
Advances from grantors	62,684
Long-term obligations:	
Due within one year	359,529
Due beyond one year	19,265,426
TOTAL LIABILITIES	20,382,317
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	1,654,378
Deferred inflows of resources for OPEB	45,913
TOTAL DEFERRED INFLOWS OF RESOURCES	1,700,291
NET POSITION	
Net investment in capital assets	8,553,351
Restricted for capital projects	388,156
Restricted for debt service	275,261
Restricted for educational programs	209,898
Restricted for other programs	17,239
Unrestricted	(5,502,257)
TOTAL NET POSITION	\$ 3,941,648

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

Corning Union High School District
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 6,945,707	\$ 13,363	\$ 1,194,936	\$ (5,737,408)
Instruction-related services	989,289	3,963	383,551	(601,775)
Pupil services	2,490,344	88,772	967,572	(1,434,000)
Ancillary services	397,536	-	3,669	(393,867)
Community services	70,781	-	-	(70,781)
General administration	1,240,071	5,590	118,159	(1,116,322)
Plant services	1,709,230	543	6,164	(1,702,523)
Other outgo	48,636	2,096	25,026	(21,514)
Interest on long-term debt	222,985	-	-	(222,985)
Total Governmental Activities	\$ 14,114,579	\$ 114,327	\$ 2,699,077	(11,301,175)
GENERAL REVENUES				
Property taxes - levied for general purposes				2,387,668
Property taxes - levied for debt service				307,368
Federal and state aid not restricted to specific purposes				7,864,993
Unrestricted investment earnings				128,942
Miscellaneous				507,864
TOTAL GENERAL REVENUES				11,196,835
Change in Net Position				(104,340)
Net Position - as Previously Reported				5,222,786
Cumulative effect of change in accounting principles				(1,176,798)
Net Position - as Restated				4,045,988
Net Position - End of Year				\$ 3,941,648

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

Corning Union High School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018	General Fund	Cafeteria Special Revenue Fund	Foundation Special Revenue Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,008,808	\$ 612	\$ 3,832,612	\$ 269,396	\$ 430,480	\$ 6,541,908
Accounts receivable	391,984	3,142	-	-	-	395,126
Due from other governments	567,525	126,322	-	-	52,462	746,309
Due from other funds	165,082	-	-	-	276,971	442,053
Inventories	-	5,354	-	-	-	5,354
TOTAL ASSETS	\$ 3,133,399	\$ 135,430	\$ 3,832,612	\$ 269,396	\$ 759,913	\$ 8,130,750
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and other current liabilities	\$ 532,810	\$ 19,479	\$ 1,711	\$ 15,104	\$ 2,224	\$ 571,328
Due to other governments	70,869	-	-	-	-	70,869
Due to other funds	147,099	92,858	8,500	129,872	63,724	442,053
Advances from grantors	62,684	-	-	-	-	62,684
Total Liabilities	813,462	112,337	10,211	144,976	65,948	1,146,934
Fund Balances						
Nonspendable	1,000	5,854	-	-	-	6,854
Restricted	209,898	17,239	-	124,420	538,997	890,554
Committed	-	-	-	-	154,968	154,968
Assigned	1,192,648	-	3,822,401	-	-	5,015,049
Unassigned	916,391	-	-	-	-	916,391
Total Fund Balances	2,319,937	23,093	3,822,401	124,420	693,965	6,983,816
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,133,399	\$ 135,430	\$ 3,832,612	\$ 269,396	\$ 759,913	\$ 8,130,750

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

Corning Union High School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2018

Total Fund Balances - Governmental Funds	\$ 6,983,816
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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 at historical cost	\$ 26,594,947
Accumulated depreciation	(11,958,222)

Total Capital Assets - Net	14,636,725
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Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owed at the end of the period was:

(52,481)

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. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that is recognized in the government-wide statements is:

54,269

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	3,119,143
Note payable	2,518,189
Early retirement incentives	90,000
Net pension liability	11,518,818
Total OPEB liability	1,759,145
Compensated absences	49,198
Capital leases	210,560
Long-term line of credit	359,902

Total Long-Term Liabilities	(19,624,955)
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Balance Forward	\$ 1,997,374
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The accompanying notes are an integral part of these financial statements.

Corning Union High School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (Continued)

June 30, 2018

Balance Brought Forward	\$ 1,997,374
<p>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:</p>	
Deferred outflows of resources relating to pensions	3,644,565
Deferred inflows of resources relating to pensions	(1,654,378)
<p>Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported:</p>	
Deferred inflows of resources relating to OPEB	(45,913)
Total Net Position - Governmental Activities	\$ 3,941,648

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, 2018	General Fund	Cafeteria Special Revenue Fund	Foundation Special Revenue Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 2,387,668	\$ -	\$ -	\$ -	\$ 307,368	\$ 2,695,036
Local control funding formula sources	7,343,500	-	-	-	175,099	7,518,599
Other state revenue	1,088,496	27,591	537	-	1,208	1,117,832
Federal revenue	843,302	530,957	-	-	37,723	1,411,982
Other local revenue	1,150,083	125,825	96,054	21,447	162,457	1,555,866
Total Revenues	12,813,049	684,373	96,591	21,447	683,855	14,299,315
Expenditures						
Current:						
Instruction	6,312,359	-	12,834	-	63,776	6,388,969
Instruction-related services	899,419	-	-	-	-	899,419
Pupil services	1,638,935	697,707	-	-	10,948	2,347,590
Ancillary services	385,503	-	-	-	-	385,503
Community services	-	-	56,006	-	-	56,006
General administration	1,122,683	31,558	23,241	-	65,310	1,242,792
Plant services	1,348,160	3,579	42,426	7,386	52,843	1,454,394
Transfers between agencies	48,636	-	-	-	-	48,636
Debt service:						
Principal	295,903	-	63,690	-	-	359,593
Interest and other charges	60,622	-	16,310	-	97,680	174,612
Capital outlay	-	-	-	2,489,797	-	2,489,797
Total Expenditures	12,112,220	732,844	214,507	2,497,183	290,557	15,847,311
Excess (Deficiency) of Revenues Over Expenditures	\$ 700,829	\$ (48,471)	\$ (117,916)	\$ (2,475,736)	\$ 393,298	\$ (1,547,996)

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**

(Continued)

Year Ended June 30, 2018	General Fund	Cafeteria Special Revenue Fund	Foundation Special Revenue Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Proceeds from capital lease	\$ 30,805	\$ -	\$ -	\$ -	\$ -	30,805
Net Change in Fund Balances	731,634	(48,471)	(117,916)	(2,475,736)	393,298	(1,517,191)
Fund Balances - Beginning of Year	1,588,303	71,564	3,940,317	2,600,156	300,667	8,501,007
Fund Balances - End of Year	\$ 2,319,937	\$ 23,093	\$ 3,822,401	\$ 124,420	\$ 693,965	\$ 6,983,816

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

Corning Union High School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (1,517,191)
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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	\$ 2,547,401
Depreciation expense	(807,573)

Net Capital Outlay	1,739,828
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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:

359,593

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

(30,805)

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:

708

Balance Forward	\$ 552,133
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The accompanying notes are an integral part of these financial statements.

Corning Union High School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

(Continued)

Year Ended June 30, 2018

Balance Brought Forward	\$	552,133
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:		(52,481)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		11,019
Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. Typical examples, in addition to compensated absences and interest on long-term debt, are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods for early retirement incentives were:		10,000
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		(451,913)
Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		(87,206)
Balance Forward	\$	(18,448)

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

Corning Union High School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION (Continued)

Year Ended June 30, 2018

Balance Brought Forward	\$	(18,448)
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:		(90,000)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:		4,108
Change in Net Position of Governmental Activities	\$	(104,340)

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, 2018	Foundation Private- Purpose Trust		Agency	
ASSETS				
Cash and investments	\$	329,213	\$	202,910
Inventories		-		40,632
TOTAL ASSETS		329,213	\$	243,542
LIABILITIES				
Due to student groups		-	\$	243,542
NET POSITION				
Held in trust for scholarships	\$	329,213		

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, 2018	Foundation Private- Purpose Trust
Additions	
Interest and investment earnings	\$ 14,242
Net decrease in fair value of investments	(6,474)
Donations	11,100
Total Additions	18,868
Deductions	
Scholarships awarded	9,550
Miscellaneous	16,071
Total Deductions	25,621
Change in Net Position	(6,753)
Net Position - Beginning of Year	335,966
Net Position - End of Year	\$ 329,213

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

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates one high school, one continuation high school, and one 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 District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Implementation of New Accounting Standards

Governmental Accounting Standards Board, Statement No. 75 The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Governmental Accounting Standards Board, Statement No. 85 The District adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses the timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

As a result of the adoption of GASB Statement No. 75 and 85, net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75 and 85:

Net Position - as Previously Reported	\$ 5,222,786
Cumulative Effect of Change in Accounting Principles	
Total OPEB liability	(1,176,798)
Net Position - as Restated	\$ 4,045,988

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government

Corning Union High School District

Blended component units

Corning Union High School Master Endowment Trust

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

Blended Component Units Separate legal entities that meet the component unit criteria described above, and whose governing body is the same or substantially the same as the District's governing board or the component unit, provides services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units Separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Blended Component Units

The component unit that is blended into the reporting activity of the District's report is as follows:

Corning Union High School Master Endowment Trust (the Trust) is a tax-exempt corporation under *Internal Revenue Code*, Section 501(c)(3) and was formed to manage the bequest of 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 the 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 statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

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

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

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

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The funds of the District are described below.

Governmental Funds

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

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

1. Adult Education Fund is used to account separately for federal, state, and local revenues, and the expenditure of those funds, that are restricted or committed for adult education programs (*California Education Code*, Sections 52616[b] and 52501.5[a]).
2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).
3. Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes. Expenditures in this fund are used for major repairs or replacements of plumbing, heating, air-conditioning, electrical, roofing, and floor systems; and exterior and interior painting of school buildings.
4. Foundation Special Revenue Fund is used to account for resources received from gifts or bequests pursuant to *California Education Code*, Section 41031, under which both earnings and principal may be used for purposes that support the District's own programs.

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).

Debt Service Funds Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).

Fiduciary Funds

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

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent.

1. Warrant/Pass-Through Fund is used to account for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.
2. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Sections 48930-48938).

Major and Nonmajor Funds

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

Major Governmental Funds:

- General Fund
- Cafeteria Special Revenue Fund
- Foundation Special Revenue Fund
- Building Fund

Nonmajor Governmental Funds:

- Adult Education Fund
- Deferred Maintenance Fund
- Capital Facilities Fund
- Bond Interest and Redemption Fund

Measurement Focus and Basis of Accounting

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

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

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Budgets and Budgetary Accounting

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

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

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

Estimates

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

Cash, Cash Equivalents, and Investments

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Tehama County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2018, the fair value of the County pool was 98.45% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2018, was \$108,837. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2018, was \$118,864.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2018. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2018. At June 30, 2018, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Inventories

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

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Fixed Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$25,000 or more and an estimated useful life in excess of one year, except for buildings and improvements for which a higher capitalization threshold of \$50,000 or more is used. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

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

School buildings	10-50
Portable classrooms	25
Site improvements	20
Equipment	5-20
Vehicles	8-20

Fund Financial Statements

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

Advances From Grantors

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

Long-Term Debt

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

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

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Nonspendable Fund Balance: Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

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

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 8% of General Fund expenditures and other financing uses.

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

Local Control Funding Formula Grant and Property Tax

The District's local control funding formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

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

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

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Revenue – Nonexchange Transactions

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

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

Expenditures and Expenses

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

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

- Governmental funds – by character:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

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

Pensions

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

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS

Cash and Investments

The following is a summary of cash and investments:

June 30, 2018	Maturities	Fair Value
Deposits (1)	\$	358,017
Investments That Are Not Securities (2)		
County treasurer's investment pool	3 years average	2,709,679
Open-end mutual funds		145,742
Corporate bonds		37,170
Corporate stock/equity securities		46,345
Subtotal		2,938,936
Investment Securities		
U.S. government securities	2019-2029	797,703
Municipal bonds	2019-2042	3,033,644
Subtotal		3,831,347
Total Cash and Investments		7,128,300
Less: Trust fund cash and investments		329,213
Less: Agency fund cash and investments		202,910
Total Cash and Investments Per Government-Wide Statement of Net Position	\$	6,596,177

(1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) **Investments That Are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be redeemed. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$18,478 of the District's bank balance of \$452,138 was exposed to custodial credit risk as follows:

	Bank Balance
Uninsured and uncollateralized	\$ 18,478

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investments in the County investment pool and mutual funds are unrated. As of June 30, 2018, the District’s investments subject to credit risk were rated as follows:

June 30, 2018	Rating Agency	Rating	% of Total Investments
Corporate bonds	S&P	B-	0.22%
Corporate bonds	S&P	BBB+	0.17%
Corporate bonds	S&P	BBB	0.15%
Municipal bonds	Moody	A2	1.16%
Municipal bonds	Moody	A3	1.67%
Municipal bonds	Moody	AA	1.79%
Municipal bonds	Moody	Aa3	1.92%
Municipal bonds	Moody	Aaa	0.08%
Municipal bonds	S&P	A	4.31%
Municipal bonds	S&P	A+	2.48%
Municipal bonds	S&P	AA	6.30%
Municipal bonds	S&P	AA-	23.22%
Municipal bonds	S&P	AA+	0.83%
Municipal bonds	S&P	AAA	0.46%

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- County treasurer's investment pool of \$2,709,679 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).
- Open-end mutual funds of \$145,742, corporate stocks/equity securities of \$46,345, U.S. government securities of \$797,703, and municipal bonds of \$3,033,644 are valued using quoted market prices (level 1 inputs).
- Corporate bonds of \$37,170 are valued using a matrix pricing model (level 2 inputs).

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk – Investments

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

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

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

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

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2018	General Fund	Cafeteria Special Revenue Fund
Other	\$ 391,984	\$ 3,142

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following:

June 30, 2018	General Fund	Cafeteria Special Revenue Fund	Other Governmental Funds
Due From			
Federal government	\$ 393,352	\$ 119,983	\$ 18,861
State government	92,462	6,339	-
Local governments	81,711	-	33,601
Total	\$ 567,525	\$ 126,322	\$ 52,462

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds		Due to Other Funds	
General		Adult Education	\$ 63,724
General		Foundation Special Revenue	8,500
General		Cafeteria Special Revenue	92,858
Deferred Maintenance		General	147,099
Bond Interest and Redemption		Building	129,872
Total			\$ 442,053

The specific purposes of the interfund balances are as follows:

General Fund interfund receivable from the Adult Education Fund and Cafeteria Special Revenue Fund for temporary interfund loans and transfers of indirect costs;

General Fund interfund receivable from the Foundation Special Revenue Fund for a temporary interfund loan;

Deferred Maintenance Fund interfund receivable from the General Fund for a transfer of apportionment and interfund support; and

Bond Interest and Redemption Fund interfund receivable from the Building Fund for transfer of bond proceeds due to the Bond Interest and Redemption Fund.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2018	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 357,500	\$ -	\$ -	\$ 357,500
Construction in progress	262,976	2,489,797	1,986,671	766,102
Total Nondepreciated Capital Assets	620,476	2,489,797	1,986,671	1,123,602
Depreciated Capital Assets				
Buildings	17,923,058	112,224	-	18,035,282
Site improvements	3,558,661	1,874,447	-	5,433,108
Vehicles and equipment	1,945,351	57,604	-	2,002,955
Total Depreciated Capital Assets	23,427,070	2,044,275	-	25,471,345
Totals at Historical Cost	24,047,546	4,534,072	1,986,671	26,594,947
Less: Accumulated Depreciation				
Buildings	9,360,514	450,761	-	9,811,275
Site improvements	910,079	253,757	-	1,163,836
Vehicles and equipment	880,056	103,055	-	983,111
Total Accumulated Depreciation	11,150,649	807,573	-	11,958,222
Total Depreciated Capital Assets - Net	12,276,421	1,236,702	-	13,513,123
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 12,896,897	\$ 3,726,499	\$ 1,986,671	\$ 14,636,725

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2018	
Governmental Activities	
Instruction	\$ 522,110
Instruction-related services	17,447
Pupil services	56,043
Ancillary services	8,043
Community services	14,775
General administration	4,834
Plant services	184,321
Total Depreciation Expense - Governmental Activities	\$ 807,573

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2018	General Fund	Cafeteria Special Revenue Fund	Foundation Special Revenue Fund	Building Fund	Other Governmental Funds
Vendors	\$ 166,319	\$ 13,385	\$ 1,504	\$ 13,298	\$ 150
Salaries and benefits	357,458	5,925	-	-	2,064
Other	9,033	169	207	1,806	10
Total	\$ 532,810	\$ 19,479	\$ 1,711	\$ 15,104	\$ 2,224

8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments consisted of the following:

June 30, 2018	General Fund
Due To	
State government	\$ 65,141
Local governments	5,728
Total	\$ 70,869

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. BONDED DEBT

In November 2016, the District received authorization through Measure K to issue \$8,300,000 of bonds. The bonds are general obligation bonds of the District, and the County is obligated to annually levy ad valorem taxes for the payment of interest on, and the principal of, the bonds. Bond proceeds are to be used to improve the quality of education by repairing and replacing leaky roofs; making health, safety, and security improvements; updating inadequate electrical and technology infrastructure; modernizing and renovating outdated classrooms, restrooms, and school facilities; and replacing temporary portables with permanent classrooms.

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Redeemed Current Year	Outstanding June 30, 2018
2017	2% - 5%	2046	\$ 3,000,000	\$ 3,000,000	\$ -	\$ 3,000,000

The amount of interest cost incurred during the year ended June 30, 2018, was \$147,013, all of which was charged to expenses.

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

Year Ending June 30	Principal	Interest	Total
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	10,000	108,800	118,800
2024-2028	125,000	535,375	660,375
2029-2033	285,000	504,700	789,700
2034-2038	500,000	438,313	938,313
2039-2043	785,000	319,062	1,104,062
2044-2047	920,000	97,000	1,017,000
Total	\$ 3,000,000	\$ 2,450,075	\$ 5,450,075

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. CAPITAL LEASES

The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. The cost of the equipment is included in vehicles and equipment on the statement of net position as depreciated capital assets and was \$700,221 at June 30, 2018. Accumulated depreciation of the leased equipment at June 30, 2018, was \$203,348. Depreciation of the assets under capital leases is included in depreciation expense and amounted to \$50,769 for the year ended June 30, 2018. The amount of interest cost incurred during the year ended June 30, 2018, was \$20,061, all of which was charged to expenses. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2019	\$ 35,285
2020	95,531
2021	86,648
2022	7,015
Total	224,479
Less: Amount representing interest	13,919
Present Value of Net Minimum Lease Payments	\$ 210,560

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment.

11. OPERATING LEASES

The District has entered into various operating leases for copiers with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2019	\$ 41,352
2020	41,352
2021	28,584
2022	17,800
Total	\$ 129,088

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$41,352 for the year ended June 30, 2018.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

12. NOTE PAYABLE

In November 2013, the District was selected to receive a loan under the provisions of *California Education Code*, Section 17456, totaling \$2,864,000 to be used toward solar panel construction. The loan bears interest at 1.5%. As of June 30, 2018, the principal balance outstanding was \$2,518,189.

The amount of interest cost incurred during the year ended June 30, 2018, was \$41,909, all of which was charged to expenses.

The note payable matures in December 2031 as follows:

Year Ending June 30	Principal		Interest		Total
2019	\$	114,841	\$	37,159	\$ 152,000
2020		124,649		35,351	160,000
2021		126,529		33,471	160,000
2022		148,475		31,525	180,000
2023		170,903		29,097	200,000
2024-2028		1,026,412		102,836	1,129,248
2029-2032		806,380		22,868	829,248
Total	\$	2,518,189	\$	292,307	\$ 2,810,496

13. LONG-TERM LINE OF CREDIT

The District maintains a line of credit with Stifel Bank & Trust (Stifel) in order to pay for Rodgers Trust Ranch expenditures. The line of credit has an interest rate of a 30-day LIBOR plus a margin of 2.5%, effectively 4.5% as of June 30, 2018. The line of credit 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. As of June 30, 2018, the principal balance outstanding was \$359,902.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14. CHANGES IN LONG-TERM DEBT

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

Year Ended June 30, 2018	Beginning Balance - as Previously Reported	Cumulative Effect of Change in Accounting Principles	Beginning Balance - as Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities							
Compensated absences	\$ 60,217	\$ -	\$ 60,217	\$ -	\$ 11,019	\$ 49,198	\$ -
General obligation bonds	3,000,000	-	3,000,000	-	-	3,000,000	180,000
Bond issue premiums	123,251	-	123,251	-	4,108	119,143	4,108
Capital leases	370,419	-	370,419	30,805	190,664	210,560	30,580
Note payable	2,623,428	-	2,623,428	-	105,239	2,518,189	114,841
Early retirement incentives	10,000	-	10,000	90,000	10,000	90,000	30,000
Long-term line of credit	423,592	-	423,592	-	63,690	359,902	-
Total OPEB liability	541,054	1,176,798	1,717,852	41,293	-	1,759,145	-
Net pension liability	10,676,301	-	10,676,301	842,517	-	11,518,818	-
Total	\$ 17,828,262	\$ 1,176,798	\$ 19,005,060	\$ 1,004,615	\$ 384,720	\$ 19,624,955	\$ 359,529

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

15. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2018	General Fund	Cafeteria Special Revenue Fund	Foundation Special Revenue Fund	Building Fund	Other Governmental Funds
Nonspendable					
Reserved for:					
Revolving cash	\$ 1,000	\$ 500	\$ -	\$ -	\$ -
Inventories	-	5,354	-	-	-
Total Nonspendable	\$ 1,000	\$ 5,854	\$ -	\$ -	\$ -
Restricted					
Restricted for:					
Capital projects	\$ -	\$ -	\$ -	\$ 124,420	\$ 263,736
Debt service	-	-	-	-	275,261
Federal and state categoricals	209,898	17,239	-	-	-
Total Restricted	\$ 209,898	\$ 17,239	\$ -	\$ 124,420	\$ 538,997
Committed					
Committed for:					
Adult education	\$ -	\$ -	\$ -	\$ -	\$ 7,717
Deferred maintenance	-	-	-	-	147,251
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ 154,968
Assigned					
Assigned for:					
Safety improvement	\$ 285,000	\$ -	\$ -	\$ -	\$ -
Bus purchase	500,000	-	-	-	-
Server replacement	84,648	-	-	-	-
Future textbook adoption	65,000	-	-	-	-
Maintenance projects	68,000	-	-	-	-
Cafeteria refrigerator replacement	45,000	-	-	-	-
CalSTRS/CalPERS increases	145,000	-	-	-	-
Agricultural education	-	-	3,822,401	-	-
Total Assigned	\$ 1,192,648	\$ -	\$ 3,822,401	\$ -	\$ -
Unassigned					
Designated for economic uncertainties	\$ 916,391	\$ -	\$ -	\$ -	\$ -

16. JOINT POWERS AUTHORITIES

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

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

17. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

18. RISK MANAGEMENT

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

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

19. EMPLOYEE RETIREMENT SYSTEMS

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 CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2018	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers'				
Retirement Plan	\$ 7,398,400	\$ 2,339,738	\$ 1,479,891	\$ 727,439
CalPERS School Employer Pool	4,120,418	1,304,827	174,487	736,697
Total	\$ 11,518,818	\$ 3,644,565	\$ 1,654,378	\$ 1,464,136

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

Corning Union High School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 9.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal year ended June 30, 2018, were \$650,464.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2018

District's proportionate share of the net pension liability	\$ 7,398,400
State's proportionate share of the net pension liability associated with the District	2,749,985
Total	\$ 10,148,385

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.008%.

Corning Union High School District**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$79,038 and revenue of \$79,038 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 27,360	\$ 129,067
Net difference between projected and actual earnings on pension plan investments	-	197,059
Change in assumptions	1,370,606	-
Changes in proportion and differences between District contributions and proportionate share of contributions	291,308	1,153,765
District contributions subsequent to the measurement date	650,464	-
Total	\$ 2,339,738	\$ 1,479,891

The \$650,464 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2019	\$ (80,217)
2020	207,543
2021	(44,171)
2022	(89,232)
2023	100,824
Thereafter	114,636
Total	\$ 209,383

Corning Union High School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	4.50%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 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 geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
June 30, 2018			
District's proportionate share of the net pension liability	\$ 10,863,200	\$ 7,398,400	\$ 4,586,480

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report* (CAFR).

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 6.50% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2017-18 fiscal year was 15.531%. The District's contributions to CalPERS for the fiscal year ended June 30, 2018, were \$361,758.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2018, the District reported a net pension liability of \$4,120,418 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.01726%.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$736,697. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 147,618	\$ -
Net difference between projected and actual earnings on pension plan investments	135,634	-
Change in assumptions	601,852	48,513
Changes in proportion and differences between District contributions and proportionate share of contributions	57,965	125,974
District contributions subsequent to the measurement date	361,758	-
Total	\$ 1,304,827	\$ 174,487

The \$361,758 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2019	\$	217,765
2020		387,702
2021		242,895
2022		(79,780)
Total	\$	768,582

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries, Scale BB.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Asset Class			
Global equity	47%	4.90%	5.38%
Fixed income	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the CalPERS Board in 2013 were used. Projections of expected benefit payments and contributions were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Corning Union High School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2018			
District's proportionate share of the net pension liability	\$ 6,062,455	\$ 4,120,418	\$ 2,509,335

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

20. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2017-18, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The Plan is 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 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.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Employees Covered

Employees covered by the benefit terms of the Plan consisted of:

June 30, 2018

Inactive Plan members or beneficiaries currently receiving benefit payments	8
Active Plan members	96
Total	104

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District's Board of Trustees. Currently, the District's policy is to contribute to the Plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the District contributed \$109,400 representing premium payments on behalf of retired employees.

Net OPEB Liability

The District's net OPEB liability for the Plan is measured as the total OPEB liability, less the Plan's fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The June 30, 2018, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	3.00%
Discount rate	3.62%
Healthcare cost trend rate - post-65	5.00%

Mortality is based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62%. The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

Year Ended June 30, 2018

Total OPEB Liability	
Service cost	\$ 152,452
Interest	52,070
Changes of assumptions	(53,829)
Benefit payments - including refunds of employee contributions	(109,400)
Net Change in Total OPEB Liability	41,293
Total OPEB Liability - Beginning of Year	1,717,852
Total OPEB Liability - End of Year	\$ 1,759,145
Covered-employee payroll	\$ 6,504,047
District's total OPEB liability as a percentage of covered-employee payroll	27.05%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability calculated using the discount rate of 3.62%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current rate:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
June 30, 2018			
Total OPEB liability	\$ 1,870,698	\$ 1,759,145	\$ 1,654,369

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability calculated using the healthcare cost trend rate of 5.00%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Health Cost Trend Rates (5.00%)	1% Increase (6.00%)
June 30, 2018			
Total OPEB liability	\$ 1,626,351	\$ 1,759,145	\$ 1,910,389

Corning Union High School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$196,606. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 45,913

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30		
2019	\$	7,916
2020		7,916
2021		7,916
2022		7,916
2023		7,916
Thereafter		6,333
Total	\$	45,913

22. SUBSEQUENT EVENTS

Construction Contract

On September 4, 2018, the District entered into a contract totaling \$1,454,700 to construct classrooms.

General Obligation Bonds

On November 20, 2018, the District issued the Election of 2016, Series B general obligation bonds totaling \$2,700,000, at a premium of \$142,085. The issuance consisted of current-interest term bonds with interest rates ranging from 3.125% to 4%. The bonds mature through August 2048.

23. FUTURE GASB IMPLEMENTATION

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings, and Direct Placements*. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2018, will have on the District's financial statements, if any.

Required Supplementary Information

Corning Union High School District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2018	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,232,079	\$ 2,322,618	\$ 2,387,668	\$ 65,050
Local control funding formula sources	7,291,094	7,358,740	7,343,500	(15,240)
Other state revenue	909,709	1,196,218	1,088,496	(107,722)
Federal revenue	715,728	843,092	843,302	210
Other local revenue	748,130	1,098,339	1,150,083	51,744
Total Revenues	11,896,740	12,819,007	12,813,049	(5,958)
Expenditures				
Certificated salaries	4,732,524	4,900,221	4,780,900	119,321
Classified salaries	2,070,542	2,261,520	2,229,219	32,301
Employee benefits	2,981,661	3,009,956	2,961,047	48,909
Books and supplies	865,535	1,223,823	666,311	557,512
Services and other operating	1,173,989	1,309,670	990,675	318,995
Capital outlay	73,287	129,895	116,790	13,105
Other outgo	65,531	21,491	10,753	10,738
Debt service:				
Principal	137,992	236,356	295,903	(59,547)
Interest and other charges	44,521	44,521	60,622	(16,101)
Total Expenditures	12,145,582	13,137,453	12,112,220	1,025,233
Excess (Deficiency) of Revenues Over Expenditures	(248,842)	(318,446)	700,829	1,019,275
Other Financing Sources				
Proceeds from capital leases	-	30,297	30,805	508
Net Change in Fund Balances	(248,842)	(288,149)	731,634	1,019,783
Fund Balances - Beginning of Year	1,588,303	1,588,303	1,588,303	-
Fund Balances - End of Year	\$ 1,339,461	\$ 1,300,154	\$ 2,319,937	\$ 1,019,783

See the accompanying notes to this budgetary comparison schedules.

Corning Union High School District

BUDGETARY COMPARISON SCHEDULE – CAFETERIA SPECIAL REVENUE FUND

Year Ended June 30, 2018	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other state revenue	\$ 26,000	\$ 26,000	\$ 27,591	\$ 1,591
Federal revenue	433,000	525,355	530,957	5,602
Other local revenue	137,200	137,200	125,825	(11,375)
Total Revenues	596,200	688,555	684,373	(4,182)
Expenditures				
Classified salaries	193,800	214,909	214,909	-
Employee benefits	99,587	105,333	105,333	-
Books and supplies	293,822	360,871	360,871	-
Services and other operating	17,400	21,900	20,173	1,727
Other outgo	-	31,558	31,558	-
Total Expenditures	604,609	734,571	732,844	1,727
Net Change in Fund Balances	(8,409)	(46,016)	(48,471)	(2,455)
Fund Balances - Beginning of Year	71,564	71,564	71,564	-
Fund Balances - End of Year	\$ 63,155	\$ 25,548	\$ 23,093	\$ (2,455)

See the accompanying notes to this budgetary comparison schedules.

Corning Union High School District

BUDGETARY COMPARISON SCHEDULE – FOUNDATION SPECIAL REVENUE FUND

Year Ended June 30, 2018	Budgeted Amounts		Actual	Final Budget -
	Original	Final	Amounts GAAP Basis	Positive (Negative)
Revenues				
Other state revenue	\$ -	\$ -	\$ 537	\$ 537
Other local revenue	265,675	317,770	96,054	(221,716)
Total Revenues	265,675	317,770	96,591	(221,179)
Expenditures				
Certificated salaries	11,500	11,500	6,567	4,933
Classified salaries	28,120	24,304	16,356	7,948
Employee benefits	16,541	15,777	5,032	10,745
Books and supplies	79,563	25,041	9,389	15,652
Services and other operating	186,297	217,112	97,163	119,949
Capital outlay	50,907	-	-	-
Debt service:				
Principal	-	-	63,690	(63,690)
Interest and other charges	-	-	16,310	(16,310)
Total Expenditures	372,928	293,734	214,507	79,227
Net Change in Fund Balances	(107,253)	24,036	(117,916)	(141,952)
Fund Balances - Beginning of Year	3,940,317	3,940,317	3,940,317	-
Fund Balances - End of Year	\$ 3,833,064	\$ 3,964,353	\$ 3,822,401	\$ (141,952)

See the accompanying notes to this budgetary comparison schedules.

Corning Union High School District
NOTES TO THE BUDGETARY COMPARISON SCHEDULES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

June 30, 2018	General Fund	Foundation Special Revenue Fund
Debt service - principal	\$ 59,547	\$ 63,690
Debt service - interest and other charges	\$ 16,101	\$ 16,310

These excess expenditures were offset by unexpended appropriations in other categories.

Corning Union High School District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

Total OPEB Liability		
Service cost	\$	152,452
Interest		52,070
Changes of assumptions		(53,829)
Benefit payments - including refunds of employee contributions		(109,400)
Net Change In Total OPEB Liability		41,293
Total OPEB Liability - Beginning of Year		1,717,852
Total OPEB Liability - End of Year		\$ 1,759,145
Covered-employee payroll	\$	6,504,047
District's total OPEB liability as a percentage of covered-employee payroll		27.05%

See the accompanying notes to the required supplementary information.

Corning Union High School District
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB

Year Ended June 30, 2018

Actuarially determined contribution	\$	212,592
Contributions in relation to the actuarially determined contribution		109,400
Contribution Deficiency (Excess)	\$	103,192
Cover-employee payroll	\$	6,504,047
Contributions as a percentage of covered-employee payroll		1.68%

See the accompanying notes to the required supplementary information.

Corning Union High School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2018		2017		2016		2015
District's proportion of the net pension liability (asset)	0.008%		0.009%		0.010%		0.009%
District's proportionate share of the net pension liability (asset)	\$	7,398,400	\$	7,279,290	\$	6,732,400	\$ 5,259,330
State's proportionate share of the net pension liability (asset) associated with the District		2,749,985		4,144,580		3,560,688	3,175,842
Total	\$	10,148,385	\$	11,423,870	\$	10,293,088	\$ 8,435,172
District's covered-employee payroll	\$	4,539,873	\$	4,777,683	\$	4,539,416	\$ 4,666,724
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		162.96%		152.36%		148.31%	112.70%
Plan fiduciary net position as a percentage of the total pension liability		69.00%		70.00%		74.00%	77.00%

See the accompanying notes to the required supplementary information.

Corning Union High School District**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

Years Ended June 30	2018		2017		2016		2015
Contractually required contribution	\$	650,464	\$	571,116	\$	465,557	\$ 385,295
Contributions in relation to the contractually required contribution		(650,464)		(571,116)		(465,557)	(385,295)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$ -
District's covered-employee payroll	\$	4,539,873	\$	4,777,683	\$	4,539,416	\$ 4,666,724
Contributions as a percentage of covered-employee payroll		14.33%		11.95%		10.26%	8.26%

See the accompanying notes to the required supplementary information.

Corning Union High School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2018		2017		2016		2015
District's proportion of the net pension liability (asset)	0.01726%		0.01720%		0.01850%		0.01770%
District's proportionate share of the net pension liability (asset)	\$	4,120,418	\$	3,397,011	\$	2,726,918	\$ 2,009,381
District's covered-employee payroll	\$	2,199,525	\$	2,365,959	\$	2,317,523	\$ 2,249,867
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.33%		143.58%		117.67%		89.31%
Plan fiduciary net position as a percentage of the total pension liability	71.90%		73.90%		79.40%		83.50%

See the accompanying notes to the required supplementary information.

Corning Union High School District**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Years Ended June 30	2018		2017		2016		2015
Contractually required contribution	\$	361,758	\$	305,470	\$	244,153	\$ 241,786
Contributions in relation to the contractually required contribution		(361,758)		(305,470)		(244,153)	(241,786)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$ -
District's covered-employee payroll	\$	2,199,525	\$	2,365,959	\$	2,317,523	\$ 2,249,867
Contributions as a percentage of covered-employee payroll		16.45%		12.91%		10.54%	10.75%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**Changes in Benefit Terms**

There were no significant changes in benefit terms during the measurement period ended June 30, 2018.

Changes in Assumptions

The financial reporting discount rate used to calculate the total OPEB liability at July 1, 2017, was increased from 3.13% to 3.62% for the measurement period ended June 30, 2018. The healthcare trend rate used to calculate the total OPEB liability at July 1, 2017, was decreased from 6.00% to 5.00% for the measurement period ended June 30, 2018.

2. CHANGES OF BENEFIT TERMS**California State Teachers' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

3. CHANGES OF ASSUMPTIONS**California State Teachers' Retirement System**

During fiscal year 2016-17, California State Teachers' Retirement System (CalSTRS) completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability (NPL) of the State Teachers' Retirement Plan changed, including the price inflation, wage growth, discount rate, and the mortality tables used in the actuarial valuation of the NPL. The change in assumptions were as follows:

June 30	2017	2016
Assumption		
Consumer price index	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

Corning Union High School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

California Public Employees' Retirement System

During fiscal year 2016-17, the financial reporting discount rate for the Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF B) was lowered from 7.65% to 7.15%.

OTHER SUPPLEMENTARY INFORMATION SECTION

Corning Union High School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2018

The Corning Union High School 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, and one adult education program.

GOVERNING BOARD

Name	Office	Term Expires
Jim Bingham	President	2018
Todd Henderson	Clerk	2020
James Scott Patton	Member	2018
Bill Mache	Member	2018
Ken Vaughn	Member	2020

ADMINISTRATION

Jared Caylor
Superintendent

Christine Towne
Chief Business Official

Corning Union High School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2018

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

See the accompanying note to the other supplementary information.

Corning Union High School District
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2018

	Period Report	Annual Report	Period Report	Annual Report
Regular ADA*				
Grades 9 through 12	919	919	919	919
ADA Totals	919	919	919	919

** Includes opportunity classes, home and hospital, special day classes, and continuation education.*

See the accompanying note to the other supplementary information.

Corning Union High School District**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2018

	Minutes Requirement	2017-18 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Grade 9	64,800	65,246	180	N/A	Complied
Grade 10	64,800	65,246	180	N/A	Complied
Grade 11	64,800	65,246	180	N/A	Complied
Grade 12	64,800	65,246	180	N/A	Complied

See the accompanying note to the other supplementary information.

Corning Union High School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2019	2018	2017	2016
General Fund				
Revenues and other financial sources	\$ 13,123,899	\$ 12,843,854	\$ 12,193,158	\$ 12,138,806
Expenditures	11,936,451	12,112,220	11,812,965	11,655,348
Other uses and transfers out	-	-	15,513	-
Total Outgo	11,936,451	12,112,220	11,828,478	11,655,348
Change in Fund Balance	1,187,448	731,634	364,680	483,458
Ending Fund Balance	\$ 3,507,385	\$ 2,319,937	\$ 1,588,303	\$ 1,223,623
Available reserves	\$ 1,781,128	\$ 916,391	\$ 586,216	\$ 944,335
Designated for economic uncertainties	\$ 954,918	\$ 916,391	\$ 471,047	\$ -
Undesignated fund balance	\$ 826,210	\$ -	\$ 115,169	\$ 944,335
Available reserves as a percentage of				
total outgo	15%	8%	5%	8%
Total long-term debt	\$ 19,265,426	\$ 19,624,955	\$ 19,005,060 *	\$ 13,623,829
Average daily attendance at P-2	919	919	885	875

**As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.*

The General Fund balance has increased by \$1,096,314 over the past two years. The fiscal year 2018-19 budget projects an increase of \$1,187,448 (51.2%). For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in all of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term debt has increased by \$6,001,126 over the past two years.

Average daily attendance has increased by 44 over the past two years. No additional growth in ADA is anticipated during fiscal year 2018-19.

See the accompanying note to the other supplementary information.

Corning Union High School District**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT****WITH AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2018

	General Fund		Building Fund	Bond Interest and Redemption Fund		
Annual Financial and Budget Report Fund Balances	\$	2,393,224	\$	254,292	\$	145,389
Adjustments Increasing (Decreasing) the Fund Balances						
Understatement of accounts payable		(73,287)		-		-
Understatement of due from other funds		-		-		129,872
Understatement of due to other funds		-		(129,872)		-
Net Adjustments		(73,287)		(129,872)		129,872
Audited Financial Statements Fund Balances	\$	2,319,937	\$	124,420	\$	275,261

See the accompanying note to the other supplementary information.

Corning Union High School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department of Education			
Passed Through California Department of Education			
NCLB - Title I, Part A, Basic Grants	84.010	14329	\$ 306,976
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	62,771
NCLB - Title IV, 21st Century Community Learning Centers	84.287	14349	295,000
NCLB - Title VI, Part B, Rural and Low Income School	84.358	14356	21,090
NCLB - Advanced Placement Test Fee Reimbursement	84.330B	14831	406
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	34,329
Adult Education - Adult Secondary Education	84.002	13978	21,141
Adult Education - English Literacy and Civics Education	84.002	14109	2,070
Adult Education - Adult Basic Education and ESL	84.002	14508	14,512
Special Education - IDEA Basic Local Assistance	84.027	13379	102,477
Total U.S. Department of Education			860,772
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	60,976
National School Lunch	10.555	13391	298,009
Nonmonetary Assistance			
Food Donation	10.555		51,691
Total Child Nutrition Cluster			410,676
Child and Adult Care Food Program	10.558	13529	120,280
Passed Through Tehama County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	19,484
Total U.S. Department of Agriculture			550,440
U.S. Department of the Interior			
Passed Through Tehama County Department of Education			
Fish and Wildlife Management Assistance	15.608		769
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,411,981

See the accompanying note to the other supplementary information.

PURPOSE OF SCHEDULES

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.

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet or exceed its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46208.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. 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* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified 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 not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS SECTION



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 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 of America, the 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, 2018; 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 14, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies (see item 2018-001).

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

(Continued)

Compliance and Other Matters

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

The District's Response to Findings

The 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCae Jnom, LLP

January 14, 2019
Redding, California



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 U.S. Office of Management and Budget (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, 2018. 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 the requirements of 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 of America; 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* (the 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.

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

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 as a basis for designing 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.

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

(Continued)

Purpose of This Report

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.

KCoe Isom, LLP

January 14, 2019
Redding, California



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Corning Union High School District's (the District) compliance with the types of state compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2018. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2018	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Not applicable
Independent study	Yes
Continuation education	No
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No
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
Apprenticeship: Related and supplemental instruction	No
Educator effectiveness	Yes
California Clean Energy Jobs Act	No
After/Before school education and safety program:	
After school	No
Before school	No
General requirements	No
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	No
Charter schools:	
Attendance	No
Mode of instruction	No
Nonclassroom-based instruction/independent study for charter schools	No
Determination of funding for nonclassroom-based instruction	No
Annual instructional minutes - classroom based	No
Charter school facility grant program	No

Continuation education step 6c was not performed because students do not engage in independent study. Testing was not performed for California Clean Energy Jobs Act because the District completed and filed final expenditures report for the California Clean Energy Jobs Act funds prior to 2017-18.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Since the District did not participate in the following programs during 2017-18, all steps related to them were not performed:

- Early retirement incentive
- Apprenticeship: Related and supplemental instruction
- After/Before school education and safety program
- Independent study-course based

Since the District did not sponsor any charter schools during 2017-18, all steps related to the following were not performed:

- Attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study for charter schools
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes - classroom based
- Charter school facility grant program

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

KCae Jnom, LLP

January 14, 2019
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Corning Union High School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	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 Nos. 10.553 and 10.555 Child Nutrition Cluster	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body)
30000 (2018-001)

Significant Deficiency

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

1. One out of 15 disbursements tested was for an unallowable expenditure. A student was paid a scholarship award from student store funds.
2. Club budgets are not established and approved.

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 expense. Procedures should be established requiring budgets for each club to be in place and approved on an annual basis.

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

Cause Due to the decentralized nature of student body account management, accounting policies and procedures were not strictly followed.

Recommendation All student body disbursements should be for allowable expenses. Clubs should be prohibited from spending any funds until a budget is approved for the year.

Response The District's administration will implement procedures during fiscal year 2018-19 to comply with the recommendations.

Corning Union High School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018
(Continued)

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

Corning Union High School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018
(Continued)

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Corning Union High School District

CORRECTIVE ACTION PLAN

June 30, 2018

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

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

Current Status Fully implemented.

Corning Union High School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018
(Continued)

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 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 The previous auditor recommended that all student body disbursements should be allowable expenses and checks should not be made payable to cash.

Current Status Partially implemented. See current-year finding in the schedule of findings and questioned costs (item 2018-001).

Corning Union High School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018
(Continued)

INTERNAL CONTROL (Cash Disbursements)
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 The previous auditor recommended that procedures be implemented to ensure cafeteria clearing account deposits are transferred to the County Treasury on a monthly basis.

Current Status Fully implemented.

Corning Union High School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018
(Continued)

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 *California 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 *California 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 *California Education Code*, Section 33126 (b)(8), or *California 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 The previous auditor recommended 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 Fully implemented.