

TWIN RIDGES ELEMENTARY  
SCHOOL DISTRICT  
COUNTY OF NEVADA  
NEVADA CITY, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2017

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2017

---

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Fiduciary Funds	19
Notes to Financial Statements	20
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP) and Actual - General Fund	48
Schedules of the District's Proportionate Share of the Net Pension Liability	49
Schedules of the District's Contributions	50
Notes to Required Supplementary Information	51

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2017

---

TABLE OF CONTENTS

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/ Board of Trustees/ Administration	52
Schedule of Average Daily Attendance	53
Schedule of Instructional Time	54
Schedule of Charter Schools	55
Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements	56
Schedule of Financial Trends and Analysis	57
Combining Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59
Combining Statement of Changes in Assets and Liabilities, Agency Fund	60
Notes to Supplementary Information	61
<u>OTHER INDEPENDENT AUDITOR'S REPORT SECTION</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Independent Auditor's Report on Compliance with State Laws and Regulations	64

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2017

---

TABLE OF CONTENTS

	<u>Page</u>
<u>FINDINGS AND REPOSSES SECTION</u>	
Schedule of Audit Findings and Responses	66
Section I - Summary of Auditor's Results	66
Section II - Financial Statement Findings	67
Section III - Federal Award Findings and Responses	68
Section IV - State Award Findings and Responses	68
Summary Schedule of Prior Year Audit Findings	70

FINANCIAL SECTION



Certified Public Accountant

200 Gateway Drive, #370  
Lincoln, CA 95648

☎ : (916) 434-1425

✉ : michelle@mhansoncpa.com

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

I have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Twin Ridges Elementary School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information and accounting by employer for pensions on pages 48 through 50 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

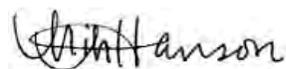
*Other Information*

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

The financial and statistical information listed as supplementary 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 my opinion, the financial and statistical information listed as supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 4, 2017, on my consideration of Twin Ridges Elementary School District's internal control over financial reporting and my 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 my 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 Twin Ridges Elementary School District's internal control over financial reporting and compliance.



MICHELLE M. HANSON  
Certified Public Accountant

December 4, 2017

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

The discussion and analysis of Twin Ridges Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The District continues to provide a quality educational program to its students within the constraints of decreased funding due to difficult economic times and no significant changes in student enrollment.
- Total fund balances increased by \$9 thousand.
- The District experienced a net decrease to total net position of \$86 thousand.
- 2016-2017 was a unique year for LCFF funding. In June of 2016 our LCFF calculation showed us receiving a small amount of state aid, changing our status for the year from basic aid to state aid. Because of this change Twin Ridges was not required to pay the In-Lieu taxes, and was also able to participate in more local property tax revenue such as ERAF and Supplemental Tax. The result was a net increase in revenue of over \$300 thousand dollars.
- The District remains in positive financial status due to healthy reserves and no outstanding debt other than the District's proportionate share of unfunded STRS and PERS liabilities.
- The District is able to maintain a safe and positive learning environment for students and staff within its existing financial resources.

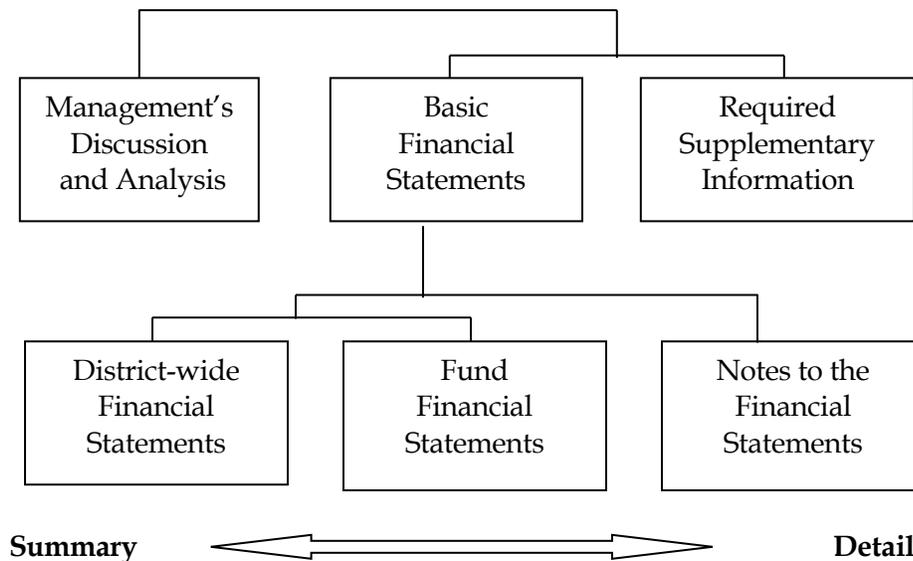
TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Twin Ridges Elementary School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Components of the Financial Section**



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District’s more significant funds with all other non-major funds presented in total in one column. A comparison of the budget for the District’s general fund is included.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Components of the Financial Section (Concluded)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2016-2017?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

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

*Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The only major governmental fund of the District is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

The District's net position was \$5.6 million at June 30, 2017. This is a net decrease of \$86 thousand from 2015-2016 net position of \$5.7 million. The changes in net position between 2015-2016 and 2016-2017 have been identified below. (See Table 1)

**(Table 1)**  
**Comparative Statement of Net Position**

	Governmental Activities	
	2017	2016
<b>ASSETS</b>		
Cash and investments	\$ 5,027,057	\$ 5,129,240
Receivables	42,626	48,133
Capital assets	1,772,977	1,820,400
Total assets	6,842,660	6,997,773
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows on pensions	320,476	231,135
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	65,161	182,455
Unearned revenue	612	
Long-term liabilities	1,398,269	1,149,645
Total liabilities	1,464,042	1,332,100
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows on pensions	100,495	212,253
<b>NET POSITION</b>		
Net investment in capital assets	1,781,371	1,828,703
Restricted	173,705	175,334
Unrestricted	3,643,523	3,680,518
Total net position	\$ 5,598,599	\$ 5,684,555

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

The District's net position decreased \$86 thousand this fiscal year compared to a decrease of \$90 thousand for 2015-2016. Another way to look at the change in net position is to compare revenues and expenditures for the two fiscal years. As you can see in Table 2 below, revenues for the two years differ by \$119 thousand, decreasing in 2016-2017. Expenditures in 2016-2017 are \$115 thousand more than those in 2015-2016. Table 2 shows a comparison between 2015-2016 and 2016-2017 and the overall change in net position between the two fiscal years.

**(Table 2)**  
**Comparative Statement of Change in Net Position**

	Governmental Activities	
	2017	2016
<b>REVENUES</b>		
Program revenues	\$ 349,097	\$ 342,300
General revenues		
Taxes levied for general purposes	1,083,294	959,154
Federal and State aid not restricted to specific purposes	391,487	231,323
Interest and investment earnings	2,599	74,460
Miscellaneous	74,565	175,060
Total revenues	<u>1,901,042</u>	<u>1,782,297</u>
<b>EXPENSES</b>		
Instruction	831,312	891,986
Instruction related services	180,935	166,186
Pupil support services	234,870	233,611
General administration	304,178	246,942
Plant services	247,658	276,019
Other	188,045	57,120
Total expenses	<u>1,986,998</u>	<u>1,871,864</u>
Decrease in net position	<u>\$ (85,956)</u>	<u>\$ (89,567)</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

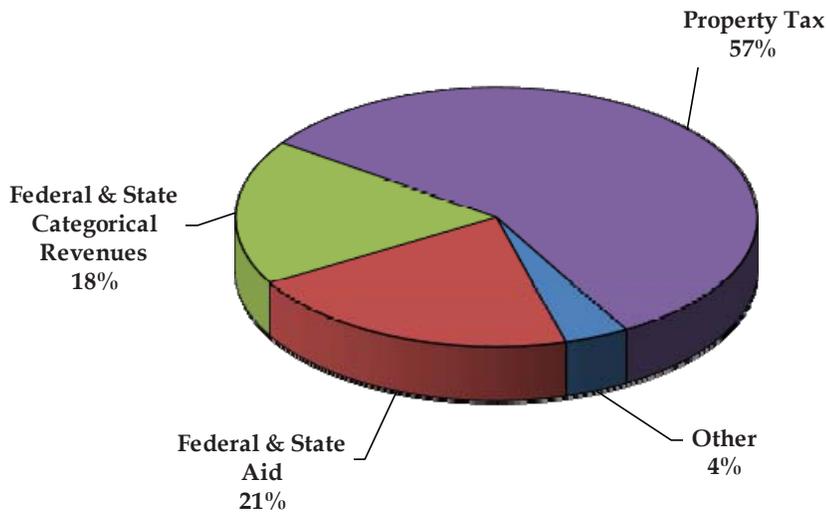
---

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

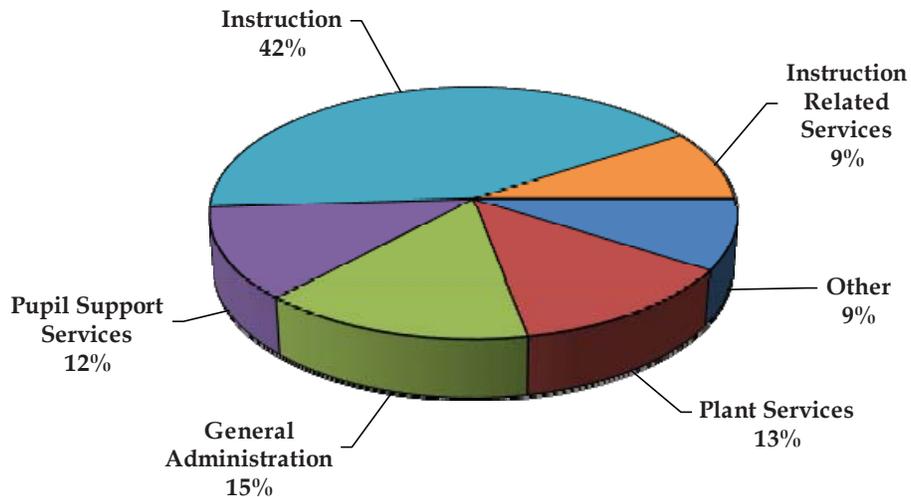
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$2.0 million. (See Figure 2 below) Federal and State aid not restricted to specific purposes of \$391 thousand, Federal and State Categoricals of \$344 thousand and Property Taxes of \$1.1 million represent the major portions of revenue to fund this year's governmental activities. (See Figure 1 below)

**Sources of Revenue for the 2016-2017 Fiscal Year  
Figure 1**



**Expenses for the 2016-2017 Fiscal Year  
Figure 2**



TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$5.0 million an increase of \$9 thousand from the previous fiscal year's combined ending balance of \$4.99 million.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget at first and second interim. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments during the interim financial reporting processes
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The District's final budget projected to end the year with a decrease of \$122 thousand in the General Fund ending balance.

The District ended the year with \$4.8 million in the General Fund ending balance, of which \$1.6 million is considered the available reserve. The State recommends a minimum ending available reserve of 5% of total expenditures and other outgo (\$92 thousand) or \$66 thousand, whichever is greater. The District's available reserve for 2016-2017 was 87.7%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of the 2016-2017 fiscal year, the District had invested \$4.4 million in a broad range of capital assets, including school buildings, site improvements, vehicles, and equipment (\$1.8 million net of depreciation). Capital assets are depreciated over a set number of years based on the life of the capital asset.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

**Capital Assets (Concluded)**

**(Table 3)**  
**Comparative Schedule of Capital Assets**  
**(net of depreciation)**  
**June 30, 2017 and 2016**

	2017	2016	Difference Increase (Decrease)
Land	\$ 102,850	\$ 102,850	
Site Improvements	604,468	647,692	\$ (43,224)
Buildings	971,162	1,029,682	(58,520)
Machinery and Equipment	68,520	40,176	28,344
Work in Process	25,977		25,977
Totals	\$ 1,772,977	\$ 1,820,400	\$ (47,423)

The District completed the installation of energy efficient thermostats funded by the California Clean Energy Jobs Act, installed security cameras and a drinking fountain and began work on the improvements funded by the DROPS grant and recognized depreciation expense.

**Long-Term Debt**

At June 30, 2017, the District had \$1.4 million in long-term debt outstanding.

**(Table 4)**  
**Comparative Schedule of Outstanding Debt**  
**June 30, 2017 and 2016**

	2017	2016
Net Pension Liability	\$ 1,398,269	\$ 1,149,645

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

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

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

As a basic aid district, property taxes are the largest unknown for the District. Under the current LCFF funding structure, basic aid districts will continue to retain local property tax revenues and continue to see their funding rise as property tax revenues increase. However, this may not always be the case for our District as we pay out excess taxes to two charter schools for the District's students that attend those schools. This payout may actually put the District's funding below the LCFF calculation, which is an unknown as to whether we will receive back fill from the state and drop out of basic aid. The answer to this question may be resolved by P-2 of each school year. In 2016-2017 we ended the year in basic aid and so we will be required to pay out the In-Lieu taxes in 2017-2018. It looks as though we will continue to qualify as basic aid through 2019-2020, but we will never be sure until P-2 of each year is calculated using all the factors.

Future predictions and uncertainties with property tax revenue, enrollment fluctuations, charter school pay out, and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep and continue to keep pace with inflation increases over the next several years.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact, James Berardi at (530) 265-9052 ext. 207 or Deborah Messervey at (530) 265-9052 ext. 208.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash (Note 2)	\$ 2,210,162
Investments (Note 2)	2,816,895
Accounts Receivable (Note 3)	42,626
Capital Assets, Net of Depreciation (Note 5)	<u>1,772,977</u>
Total Assets	<u>6,842,660</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1G)</b>	
Deferred Outflows on Pensions	<u>320,476</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	65,161
Unearned Revenue (Note 1G)	612
Long-term Liabilities (Note 6)	
Due After One Year	<u>1,398,269</u>
Total Liabilities	<u>1,464,042</u>
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1G)</b>	
Deferred Inflows on Pensions	<u>100,495</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,781,371
Restricted For:	
Capital Projects	130,341
Education Programs	25,501
Other Purposes (Expendable)	17,863
Unrestricted	<u>3,643,523</u>
Total Net Position	<u>\$ 5,598,599</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>				
Instruction	\$ 831,312		\$ 221,662	\$ (609,650)
Instruction-Related Services:				
Instructional Library, Media and Technology	13,218			(13,218)
School Site Administration	167,717		6,548	(161,169)
Pupil Services:				
Home-To-School Transportation	71,633			(71,633)
Food Services	113,345	\$ 4,846	51,295	(57,204)
All Other Pupil Services	49,892		22,603	(27,289)
General Administration:				
Data Processing	13,423			(13,423)
All Other General Administration	290,755		5,792	(284,963)
Plant Services	247,658		36,351	(211,307)
Other Outgo	68,108			(68,108)
Depreciation (unallocated)	119,937			(119,937)
Total Governmental Activities	<u>\$ 1,986,998</u>	<u>\$ 4,846</u>	<u>\$ 344,251</u>	<u>(1,637,901)</u>
General Revenues:				
Property Taxes Levied For:				
General Purposes				1,083,294
Federal and State Aid Not Restricted to Specific Purposes				391,487
Interest and Investment Earnings				2,599
Miscellaneous				74,565
Total General Revenues				<u>1,551,945</u>
Change (Decrease) in Net Position				(85,956)
Net Position Beginning				<u>5,684,555</u>
Net Position Ending				<u>\$ 5,598,599</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash (Note 2)	\$ 2,063,521	\$ 146,641	\$ 2,210,162
Investments (Note 2)	2,816,895		2,816,895
Accounts Receivable (Note 3)	33,585	9,041	42,626
Due From Other Funds (Note 4)	<u>26</u>	<u>1,143</u>	<u>1,169</u>
Total Assets	<u>\$ 4,914,027</u>	<u>\$ 156,825</u>	<u>\$ 5,070,852</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 64,960	\$ 201	\$ 65,161
Unearned Revenue (Note 1G)	612		612
Due to Other Funds (Note 4)	<u>1,143</u>	<u>26</u>	<u>1,169</u>
Total Liabilities	<u>66,715</u>	<u>227</u>	<u>66,942</u>
Fund Balances (Note 1G):			
Nonspendable	3,000	1,000	4,000
Restricted	25,501	155,598	181,099
Committed	3,182,387		3,182,387
Assigned	25,257		25,257
Unassigned	<u>1,611,167</u>		<u>1,611,167</u>
Total Fund Balances	<u>4,847,312</u>	<u>156,598</u>	<u>5,003,910</u>
Total Liabilities and Fund Balances	<u>\$ 4,914,027</u>	<u>\$ 156,825</u>	<u>\$ 5,070,852</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

Total fund balance - governmental funds \$ 5,003,910

Amounts reported for governmental activities in the statement of net position are different 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	\$ 4,391,413	
Accumulated depreciation	<u>(2,618,436)</u>	
Net		1,772,977

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(1,398,269)
-----------------------	-------------

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

Deferred outflows of resources relating to pensions	\$ 320,476	
Deferred inflows of resources relating to pensions	<u>(100,495)</u>	
Net		<u>219,981</u>

Total net position - governmental activities \$ 5,598,599

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local Control Funding Formula Sources			
State Apportionments	\$ 350,377		\$ 350,377
Local Sources	<u>1,083,291</u>		<u>1,083,291</u>
 Total Local Control Funding Formula Sources	 1,433,668		 1,433,668
Federal Revenue	157,868	\$ 47,269	205,137
Other State Revenue	87,124	3,789	90,913
Other Local Revenue	<u>149,777</u>	<u>19,395</u>	<u>169,172</u>
 Total Revenues	 <u>1,828,437</u>	 <u>70,453</u>	 <u>1,898,890</u>
<b>EXPENDITURES</b>			
Certificated Salaries	488,436		488,436
Classified Salaries	398,127	50,127	448,254
Employee Benefits	340,566	22,873	363,439
Books and Supplies	80,859	39,744	120,603
Services and Other			
Operating Expenditures	324,305	4,239	328,544
Capital Outlay	72,514		72,514
Other Outgo	<u>68,108</u>		<u>68,108</u>
 Total Expenditures	 <u>1,772,915</u>	 <u>116,983</u>	 <u>1,889,898</u>
Excess of Revenues Over (Under) Expenditures	 <u>55,522</u>	 <u>(46,530)</u>	 <u>8,992</u>
Other Financing Sources (Uses):			
Operating Transfers In (Note 4)		65,000	65,000
Operating Transfers Out (Note 4)	<u>(65,000)</u>		<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>65,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	 (9,478)	 18,470	 8,992
Fund Balances - July 1, 2016	<u>4,856,790</u>	<u>138,128</u>	<u>4,994,918</u>
Fund Balances - June 30, 2017	<u>\$ 4,847,312</u>	<u>\$ 156,598</u>	<u>\$ 5,003,910</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

Net change in fund balances - total governmental funds \$ 8,992

Amounts reported for governmental activities in the statement of activities are different 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 was:

Expenditures for capital outlay:	\$	72,514	
Depreciation expense:		<u>(119,937)</u>	
Net:			(47,423)

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:

(47,525)

Total change (decrease) in net position - governmental activities \$ (85,956)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

---

	<u>Agency Fund</u> <u>Student Body</u> <u>Account</u>
<b>ASSETS</b>	
Cash (Note 2)	<u>\$ 4,726</u>
Total Assets	<u>\$ 4,726</u>
<b>LIABILITIES</b>	
Due to Student Groups	<u>\$ 4,726</u>
Total Liabilities	<u>\$ 4,726</u>
Total Net Position	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Twin Ridges Elementary School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions (Concluded):

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

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

Expenses/expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the California State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions (Concluded):

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

D. Fund Accounting

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

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District accounted for the Special Reserve Fund for Other Than Capital Outlay Projects separately, but the fund has been included with the General Fund to comply with GASB 54.

Additionally, the District reports the following fund type:

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains a student body fund, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

E. Budgets and Budgetary Accounting

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's Board of Trustees 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 as required supplementary information in the financial statements.

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

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury and in an investment portfolio.

The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county and District is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county and District either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period purchased.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. 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) and, as such, will not be recognized as an outflow of resources (expense/expenditure) until then.

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, as such, will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. District employees either use their vacation time or are paid out the balance prior to June 30 of each year.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

7. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that did not meet the definition of "net investment in capital assets" or "restricted net position."

8. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Superintendent of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances:

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

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Revolving Fund	\$ 3,000	\$ 1,000	\$ 4,000
Total Nonspendable Fund Balance	<u>3,000</u>	<u>1,000</u>	<u>4,000</u>
Restricted For:			
Legally Restricted Categorical Funding	25,501		25,501
Cafeteria Program Operations		16,863	16,863
Purposes Specified in Government Code Section 65970-65981		129,096	129,096
Capital Project Expenditures		9,639	9,639
Total Restricted Fund Balance	<u>25,501</u>	<u>155,598</u>	<u>181,099</u>
Committed For:			
Investments Outside County Treasury	3,000,000		3,000,000
Common Core Curriculum	30,000		30,000
Technology Upgrades	30,387		30,387
Deferred Maintenance	122,000		122,000
Total Committed Fund Balance	<u>3,182,387</u>		<u>3,182,387</u>
Assigned For:			
Curriculum	25,257		25,257
Total Assigned Fund Balance	<u>25,257</u>	<u>0</u>	<u>25,257</u>
Unassigned:			
Reserve for Economic Uncertainties	871,126		871,126
Other Unassigned	740,041		740,041
Total Unassigned Fund Balance	<u>1,611,167</u>	<u>0</u>	<u>1,611,167</u>
Total Fund Balances	<u>\$ 4,847,312</u>	<u>\$ 156,598</u>	<u>\$ 5,003,910</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Concluded)

Fund Balance Policy:

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 5% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

10. Local Control Funding Formula/Property Tax

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

The 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. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the 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.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Concluded)

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

H. Impact of Recently Issued Accounting Pronouncements

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June, 2015. This Statement's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) by establishing measurement criteria for the liability. The intent is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial statements by requiring the recognition of the entire OPEB liability and a broader measure of OPEB expense. This Statement is effective beginning in fiscal year 2017-2018. This standard is not expected to impact the District's financial statements.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017. This statement is not expected to impact California School Districts.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Impact of Recently Issued Accounting Pronouncements (Concluded)

The GASB issued Statement 82, *Pension Issues, an Amendment of GASB Statements No. 67, 68 and 73* in March, 2016. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective beginning in fiscal year 2016-2017 for most entities. There has been little impact on the District's financial statements as a result of this Statement.

The GASB issued Statement 84, *Fiduciary Activities* in January, 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective beginning in fiscal year 2019-2020. The District has not yet determined the impact on the financial statements.

The GASB issued Statement 85, *Omnibus 2017* in March, 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The Statement is effective beginning in fiscal year 2017-2018.

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2017:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$5,027,057</u>	<u>\$4,726</u>	<u>\$5,031,783</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Summary of Cash and Investments (Concluded)

The District had the following cash and investments at June 30, 2017:

	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Credit</u> <u>Quality Rating</u>	
<u>Cash</u>				
Cash in Commercial Bank	\$ 4,726	\$ 4,726	Not Rated	
Cash in Revolving Fund	4,000	4,000	Not Rated	
Cash with Fiscal Agent	124,023	124,023	Not Rated	
Cash in County Treasury	2,078,637	2,082,139	Not Rated	
Total Cash	<u>2,211,386</u>	<u>2,214,888</u>		
<u>Investments</u>				
			<u>Moody's</u>	<u>S&amp;P</u>
Bank of New York	52,943	52,943	A1	A
BB&T Corporation	45,176	45,176	A2	A-
Consolidated Edison	66,470	66,470	A2	A-
EXXON Mobil Corporation	70,459	70,459	Aaa	AA+
Fannie Mae Pool	271,939	271,939	Not Rated	Not Rated
Federal Home Loan	74,588	74,588	Aaa	AA+
Federal National Mortgage Association	180,381	180,381	Aaa	AA+
FHLMC Remic Series	303,267	303,267	Not Rated	Not Rated
Honeywell International Inc.	53,655	53,655	A2	A
Johnson & Johnson	48,749	48,749	Aaa	AAA
Kimberly-Clark Corporation Debenture ISIN	50,311	50,311	A2	A
Pepsico Capital Resources, Inc.	67,650	67,650	A1	A+
Public Service Electric and Gas Company	61,062	61,062	Aa3	A
Target Corporation MTN ISIN	63,742	63,742	A2	A
The Procter & Gamble Company	52,616	52,616	Aa3	AA-
The Walt Disney Company	68,324	68,324	A2	A+
United Technologies Corporation NTS ISIN	66,230	66,230	A3	A-
US Treasury Notes	1,219,333	1,219,333	Aaa	Not Rated
Total Investments	<u>2,816,895</u>	<u>2,816,895</u>		
Total Cash and Investments	<u>\$ 5,028,281</u>	<u>\$ 5,031,783</u>		

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2017 the carrying amount of the District's accounts was \$8,726, all of which, was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its operating cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$214,742,298. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$214,381,158. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent

All or part of the Special Reserve Fund for Other Than Capital Outlay of the Twin Ridges Elementary School District, or any surplus monies not required for the immediate necessities of the District, may be invested as allowed by law for public funds according to an investment program approved by the Twin Ridges Elementary School District's Board of Trustees in accordance with California Education Code § 41015 and California Government Code §§ 16430, 53601-53609, and 53635. As of June 30, 2017, the carrying amount of the District's accounts was \$124,023 all of which was insured.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments of \$2,816,895 are valued using quoted market prices (Level 1 inputs) on a recurring basis as of June 30, 2017.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2017, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	\$ 2,078,637	\$ 983,195	\$ 675,973	\$ 419,469
Cash with Fiscal Agent	124,023	124,023		
Bank of New York	52,943	52,943		
BB&T Corporation	45,176	45,176		
Consolidated Edison	66,470		66,470	
EXXON Mobil Corporation	70,459		70,459	
Fannie Mae Pool	271,939		271,939	
Federal Home Loan	74,588		74,588	
Federal National Mortgage Association	180,381	180,381		
FHLMC Remic Series	303,267		303,267	
Honeywell International Inc.	53,655		53,655	
Johnson & Johnson	48,749		48,749	
Kimberly-Clark Corporation Debenture	50,311		50,311	
Pepsico Capital Resources, Inc.	67,650		67,650	
Public Service Electric and Gas Company	61,062		61,062	
Target Corporation MTN ISIN	63,742	63,742		
The Procter & Gamble Company	52,616			52,616
The Walt Disney Company	68,324		68,324	
United Technologies Corporation NTS	66,230			66,230
US Treasury Notes	1,219,333	74,846	924,707	219,780
Total	<u>\$ 5,019,555</u>	<u>\$ 1,524,306</u>	<u>\$ 2,737,154</u>	<u>\$ 758,095</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year-end, the District was exposed to custodial credit risk as a result of investments.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs		\$ 8,073	\$ 8,073
State Government			
Categorical Aid Programs	\$ 1,126	610	1,736
Lottery	1,748		1,748
Total State Government	2,874	610	3,484
Local Government	312	358	670
Interest	12,367		12,367
Miscellaneous	18,032		18,032
Total Accounts Receivable	<u>\$ 33,585</u>	<u>\$ 9,041</u>	<u>\$ 42,626</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 26	\$ 1,143
Non-Major Governmental Funds:		
Cafeteria Fund	<u>1,143</u>	<u>26</u>
Total	<u>\$ 1,169</u>	<u>\$ 1,169</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. As of June 30, 2017, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 65,000
Non-Major Governmental Funds:		
Cafeteria Fund	<u>\$ 65,000</u>	
Total	<u>\$ 65,000</u>	<u>\$ 65,000</u>

The District transferred \$65,000 from the General Fund to the Cafeteria Fund to support program operations and provide positive cash flow.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 102,850			\$ 102,850
Work in progress		\$ 25,977		25,977
Total capital assets, not being depreciated	<u>102,850</u>	<u>25,977</u>		<u>128,827</u>
Capital assets being depreciated:				
Buildings	2,890,710	10,672		2,901,382
Improvements of sites	1,078,449			1,078,449
Equipment	256,662	35,865	\$ 9,772	282,755
Total capital assets, being depreciated	<u>4,225,821</u>	<u>46,537</u>	<u>9,772</u>	<u>4,262,586</u>
Less accumulated depreciation for:				
Buildings	1,861,028	69,192		1,930,220
Improvements of sites	430,757	43,224		473,981
Equipment	216,486	7,521	9,772	214,235
Total accumulated depreciation	<u>2,508,271</u>	<u>119,937</u>	<u>9,772</u>	<u>2,618,436</u>
Total capital assets, being depreciated, net	<u>1,717,550</u>	<u>(73,400)</u>	<u>0</u>	<u>1,644,150</u>
Governmental activities capital assets, net	<u>\$ 1,820,400</u>	<u>\$ (47,423)</u>	<u>\$ 0</u>	<u>\$ 1,772,977</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated \$ 119,937

NOTE 6 - LONG-TERM DEBT

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Net Pension Liability	<u>\$ 1,149,645</u>	<u>\$ 248,624</u>	<u>\$ 0</u>	<u>\$ 1,398,269</u>

All payments will be made from the General Fund.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS)

*Plan Description.* The Twin Ridges Elementary School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

*Benefit.* STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

*Funding Policy.* Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members under the 2% at 60 formula are required to contribute 10.25% of their salary and active plan members under the 2% at 62 formula are required to contribute 9.205% for the year ended June 30, 2017. The Twin Ridges Elementary School District and the State are required to contribute actuarially determined rates.

The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014-2015 was 8.88%, for fiscal year 2015-2016 was 10.73%, and for fiscal year 2016-2017 was 12.58% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.95%, for fiscal year 2015-2016 was 7.39% and for fiscal year 2016-2017 the rate was 8.828%. The Twin Ridges Elementary School District's contributions to STRS for the fiscal years ending June 30, 2017 and 2016 were \$58,021 and \$54,120, respectively, and equal 100% of the required contributions for each year.

Contribution by District	\$	58,021
Contribution by State		30,497
Total Contribution in 2016-2017	\$	<u>88,518</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a liability of \$818,561 for its proportionate share of the net pension liability for STRS. 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 applying update procedures to an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2016, the District's proportion of contributions was 0.001 percent.

The District's proportionate share of the net pension liability for the plan on the measurement dates of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	\$ 715,901
Proportion - June 30, 2016	818,561
Change - Increase	<u>\$ 102,660</u>

For the year ended June 30, 2017, the District recognized pension expense of \$172,385 which included the State's required on-behalf contribution. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience		\$ 19,968
Changes in Assumptions		
Net difference between projected and actual earnings on pension plan investments	\$ 65,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	20,413	63,110
District contributions subsequent to measurement date of June 30, 2016	<u>58,021</u>	
Totals	<u>\$ 143,434</u>	<u>\$ 83,078</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).* Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2018	\$ 25,069	\$ 13,846
June 30, 2019	25,069	13,846
June 30, 2020	25,068	13,846
June 30, 2021	3,403	13,846
June 30, 2022	3,402	13,847
June 30, 2023	3,402	13,847
Total	<u>\$ 85,413</u>	<u>\$ 83,078</u>

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

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-Retirement Benefit Increases	2.00% simple for DB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

*Actuarial Assumptions (Concluded).* Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 10-year geometric average

*Discount Rate.* The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS'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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	\$ 2,145,761
2% Decrease (5.60%)	\$ 1,614,108
1% Decrease (6.60%)	\$ 1,178,094
Current Discount Rate (7.60%)	\$ 818,561
1% Increase (8.60%)	\$ 519,954
2% Increase (9.60%)	\$ 268,843
3% Increase (10.60%)	\$ 56,705

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The Twin Ridges Elementary School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

*Funding Policy.* Active plan members were required to contribute 6.5% of their salary and the Twin Ridges Elementary School District is required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates on annual payroll for the fiscal years listed were:

2014-2015	11.771%
2015-2016	11.847%
2016-2017	13.888%

The contribution requirements of the plan members are established by State statute. The Twin Ridges Elementary School District's employer contributions to CalPERS for the fiscal year ending June 30, 2017 and 2016 were \$56,023 and \$41,749, respectively and equal 100% of the required contributions for each year.

*Benefits.* PERS provides defined benefit program benefits 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.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a liability of \$579,708 for its proportionate share of the net pension liability for PERS. 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 applying update procedures to an actuarial valuation as of June 30, 2015. 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 and the state, actuarially determined. At June 30, 2016, the District's proportion of contributions was 0.0029 percent.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).* The District's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	\$ 433,744
Proportion - June 30, 2016	579,708
Change - Increase	<u>\$ 145,964</u>

For the year ended June 30, 2017, the District recognized pension expense of \$38,179. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 25,000	
Changes in Assumptions		\$ 17,417
Net difference between projected and actual earnings on pension plan investments	90,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	5,719	
District contributions subsequent to measurement date of June 30, 2016	<u>56,023</u>	
Totals	<u>\$ 176,742</u>	<u>\$ 17,417</u>

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

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2018	\$ 32,740	\$ 8,709
June 30, 2019	32,739	8,708
June 30, 2020	32,740	
June 30, 2021	22,500	
Total	<u>\$ 120,719</u>	<u>\$ 17,417</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Actuarial Assumptions.* For the year ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-Retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

PERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

*Change in Assumptions.* There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the schedule above represents the unamortized portion of the changes of assumptions related to prior measurement periods.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2016, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.65%)	\$ 885,225
Current Discount Rate (7.65%)	\$ 579,708
1% Increase (8.65%)	\$ 305,517

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

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

<u>New Strategic Asset Class</u>	<u>Real Return Allocation</u>	<u>Real Return Years 1-10<sup>1</sup></u>	<u>Years 11+<sup>2</sup></u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Cash/Liquidity	1%	(0.55)%	(1.05)%

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

*Pension Plan Fiduciary Net Position.* The plan fiduciary net position disclosed in this report may differ from the plan assets reported in the Schools Pool funding actuarial valuation reported due to several reason. First, for the accounting valuation, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early closing and final reconciled reserves.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. State and Federal Allowances, Awards and Grants

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

C. Joint Ventures

The District participates in a joint venture under a joint powers agreement (JPA) with the Schools Insurance Group (SIG).

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The following is a summary of financial information for SIG at June 30, 2017:

Total assets	\$ 96,388,316
Total deferred outflows of resources	\$ 265,300
Total liabilities	\$ 33,613,907
Total deferred inflows of resources	\$ 41,239
Net position	\$ 62,998,470
Total revenues	\$ 91,193,928
Total expenditures	\$ 85,707,759
Change in net position	\$ 5,486,169

The relationship between the District and the Joint Power Authority is such that the authority is not a component unit of the District for financial reporting purposes.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 9 - OPERATING LEASES

The District has entered into office equipment leases that extend beyond the current fiscal year. The District does not intend to buy-out the equipment at the end of the lease and historically has turned in the old equipment for new. The following is a schedule by year of minimum future rentals on the non-cancelable operating leases as of June 30, 2017:

<u>Year Ended</u> <u>June 30</u>	<u>Future</u> <u>Minimum</u> <u>Rent Payments</u>
2018	\$ 8,188
2019	1,668
2020	<u>556</u>
Total	<u>\$ 10,412</u>

The District paid \$17,316 for related rents in 2016-2017. The District will receive no sublease rentals nor pay any contingent rentals for this equipment.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Schools Insurance Group, JPA (SIG) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2016-2017, the District participated in the Schools Insurance Group, JPA (SIG), an insurance purchasing pool. The intent of the SIG pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIG pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIG pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIG pool. Participation in the SIG pool is limited to districts that can meet the SIG pool selection criteria.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 11 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 12 - SUBSEQUENT EVENTS

On November 29, 2017 the District sold the Malakoff Elementary site for \$153,000. The site was closed by the District in 2005-2006 and had a net book value of \$93,644 as of June 30, 2017.

Management has evaluated subsequent events through December 4, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Control Funding Formula Sources:				
State Apportionments	\$ 221,317	\$ 337,022	\$ 350,377	\$ 13,355
Local Sources	<u>960,963</u>	<u>1,027,200</u>	<u>1,083,291</u>	<u>56,091</u>
Total Local Control Funding Formula Sources	1,182,280	1,364,222	1,433,668	69,446
Federal Revenue	150,713	158,080	157,868	(212)
Other State Revenue	104,075	109,156	87,124	(22,032)
Other Local Revenue	<u>162,186</u>	<u>206,383</u>	<u>149,777</u>	<u>(56,606)</u>
Total Revenues	<u>1,599,254</u>	<u>1,837,841</u>	<u>1,828,437</u>	<u>(9,404)</u>
<b>EXPENDITURES</b>				
Certificated Salaries	517,342	490,484	488,436	2,048
Classified Salaries	359,776	407,464	398,127	9,337
Employee Benefits	311,893	373,689	340,566	33,123
Books and Supplies	115,137	117,284	80,859	36,425
Services and Other Operating Expenditures	316,275	387,173	324,305	62,868
Capital Outlay	120,000	111,349	72,514	38,835
Other Outgo	<u>51,692</u>	<u>72,031</u>	<u>68,108</u>	<u>3,923</u>
Total Expenditures	<u>1,792,115</u>	<u>1,959,474</u>	<u>1,772,915</u>	<u>186,559</u>
Excess of Revenues Over (Under) Expenditures	(192,861)	(121,633)	55,522	177,155
Other Financing Sources (Uses): Operating Transfers Out	<u>(55,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	(247,861)	(186,633)	(9,478)	177,155
Fund Balances - July 1, 2016	<u>4,719,953</u>	<u>4,856,790</u>	<u>4,856,790</u>	<u>0</u>
Fund Balances - June 30, 2017	<u>\$ 4,472,092</u>	<u>\$ 4,670,157</u>	<u>\$ 4,847,312</u>	<u>\$ 177,155</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0010%	0.0011%	0.0010%
District's proportionate share of the net pension liability	\$ 818,561	\$ 715,901	\$ 584,370
District's covered-employee payroll	\$ 504,380	\$ 494,403	\$ 460,909
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162%	145%	127%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

**Public Employee Retirement System (CalPERS)**

District's proportion of the net pension liability	0.0029%	0.0029%	0.0032%
District's proportionate share of the net pension liability	\$ 579,708	\$ 433,744	\$ 363,278
District's covered-employee payroll	\$ 352,401	\$ 326,141	\$ 335,724
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

	2017	2016	2015
Contractually required contribution	\$ 54,120	\$ 43,903	\$ 38,025
Contributions in relation to the contractually required contribution	54,120	43,903	38,025
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 504,380	\$ 494,403	\$ 460,909
Contributions as a percentage of covered-employee payroll	10.730%	8.880%	8.250%

**Public Employee Retirement System (CalPERS)**

Contractually required contribution	\$ 41,749	\$ 38,390	\$ 38,414
Contributions in relation to the contractually required contribution	41,749	38,390	38,414
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 352,401	\$ 326,141	\$ 335,724
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

There were no excess of expenditures over appropriations in individual governmental funds at June 30, 2017.

B. Schedules of District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

C. Schedules of District Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NEVADA CITY, CALIFORNIA

JUNE 30, 2017

---

ORGANIZATION

Twin Ridges Elementary School District is located in Nevada County. There were no changes in the boundaries of the District during the current year. At June 30, 2017, the District was operating two traditional elementary schools.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rebecca Wayman	President	December, 2018
Jessica Randolph	Clerk	December, 2020
Ralph Henson	Member	December, 2018
Mindi Morton	Member	December, 2018
Stephanie Freydont	Member	December, 2020

ADMINISTRATION

James Berardi  
Superintendent/Principal

Mary Toscani  
Business Official

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional Kindergarten through Third	44	44
Fourth through Sixth	25	25
Seventh and Eighth	<u>15</u>	<u>14</u>
ADA Totals	<u><u>84</u></u>	<u><u>83</u></u>

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Grade Level	Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Status
TK/Kindergarten	36,000	38,120	180	In Compliance
Grade 1	50,400	52,225	180	In Compliance
Grade 2	50,400	52,225	180	In Compliance
Grade 3	50,400	54,280	180	In Compliance
Grade 4	54,000	54,840	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,000	180	In Compliance
Grade 7	54,000	54,000	180	In Compliance
Grade 8	54,000	54,000	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Twin Ridges Elementary School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30,2017, Annual Unaudited Actual Financial Report Fund Balance	\$ 1,226,186	\$ 3,690,131
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:		
To adjust investments, recorded at cost, to fair market value		(69,005)
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	3,621,126	(3,621,126)
Net Adjustments and Reclassifications	3,621,126	(3,690,131)
June 30,2017, Audited Financial Statement Fund Balance	\$ 4,847,312	\$ 0

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2017.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>General Fund</u>	<u>Budget 2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>
Revenues and Other Financial Sources	\$ 1,527,426	\$ 1,828,437	\$ 1,691,911	\$ 1,363,144
Expenditures	1,912,145	1,772,915	1,722,514	1,526,454
Other Uses and Transfers Out	65,000	65,000	55,000	60,000
Total Outgo	1,977,145	1,837,915	1,777,514	1,586,454
Change in Fund Balance (Decrease)	(449,719)	(9,478)	(85,603)	(223,310)
Ending Fund Balance	\$ 4,457,490	\$ 4,847,312	\$ 4,856,790	\$ 4,942,393
Available Reserves	\$ 1,672,344	\$ 1,611,167	\$ 1,597,276	\$ 1,602,393
Reserve for Economic Uncertainties	\$ 931,024	\$ 871,126	\$ 1,131,024	\$ 1,081,760
Unassigned Fund Balance	\$ 741,320	\$ 740,041	\$ 466,252	\$ 520,633
Available Reserves as a Percentage of Total Outgo	84.6%	87.7%	89.9%	101.0%
Total Long-Term Debt	\$ 1,398,269	\$ 1,398,269	\$ 1,149,645	\$ 947,648
Average Daily Attendance at P-2	87	84	97	89

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.

The General Fund balance has decreased \$318,391 during the past three years. Average daily attendance has decreased 5 ADA during the past two years. For a District this size, the state recommends available reserves of at least 5% (\$91,896) of total expenditures, transfers out and other uses (total outgo) or \$66,000, whichever is greater. Available reserves consist of all unassigned fund balances contained within the General Fund.

The District's long-term debt obligations for its share of the unfunded STRS and PERS liability has increased \$450,621 thousand over the last two years.

The amounts reported as Budget 2017-2018 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR FUNDS  
 JUNE 30, 2017

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Cash	\$ 8,264	\$ 8,394	\$ 128,738	\$ 1,245	\$ 146,641
Accounts Receivable	8,683		358		9,041
Due From Other Funds	1,143				1,143
<b>Total Assets</b>	<b>\$ 18,090</b>	<b>\$ 8,394</b>	<b>\$ 129,096</b>	<b>\$ 1,245</b>	<b>\$ 156,825</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 201				\$ 201
Due to Other Funds	26				26
<b>Total Liabilities</b>	<b>227</b>				<b>227</b>
Fund Balances:					
Nonspendable	1,000				1,000
Restricted	16,863	\$ 8,394	\$ 129,096	\$ 1,245	155,598
<b>Total Fund Balances</b>	<b>17,863</b>	<b>8,394</b>	<b>129,096</b>	<b>1,245</b>	<b>156,598</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,090</b>	<b>\$ 8,394</b>	<b>\$ 129,096</b>	<b>\$ 1,245</b>	<b>\$ 156,825</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Federal Revenue	\$ 47,269				\$ 47,269
Other State Revenue	3,789				3,789
Other Local Revenue	5,084	\$ 91	\$ 14,207	\$ 13	19,395
<b>Total Revenues</b>	<b>56,142</b>	<b>91</b>	<b>14,207</b>	<b>13</b>	<b>70,453</b>
<b>EXPENDITURES</b>					
Classified Salaries	50,127				50,127
Employee Benefits	22,873				22,873
Books and Supplies	39,744				39,744
Services and Other Operating Expenditures	2,651		1,588		4,239
<b>Total Expenditures</b>	<b>115,395</b>	<b>0</b>	<b>1,588</b>	<b>0</b>	<b>116,983</b>
Excess of Revenues Over (Under) Expenditures	(59,253)	91	12,619	13	(46,530)
Other Financing Sources Operating Transfers In	65,000				65,000
Excess of Revenues and Other Sources Over Expenditures	5,747	91	12,619	13	18,470
Fund Balances - July 1, 2016	12,116	8,303	116,477	1,232	138,128
Fund Balances - June 30, 2017	\$ 17,863	\$ 8,394	\$ 129,096	\$ 1,245	\$ 156,598

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

---

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>Student Body Account</u>				
<b>ASSETS</b>				
Cash	<u>\$ 4,439</u>	<u>\$ 569</u>	<u>\$ 282</u>	<u>\$ 4,726</u>
<b>LIABILITIES</b>				
Due to Student Groups	<u>\$ 4,439</u>	<u>\$ 569</u>	<u>\$ 282</u>	<u>\$ 4,726</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

---

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

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

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

F. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



Certified Public Accountant

200 Gateway Drive, #370  
Lincoln, CA 95648

☎ : (916) 434-1425

✉ : michelle@mhansoncpa.com

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

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

I 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, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Twin Ridges Elementary School District's basic financial statements and have issued my report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Twin Ridges Elementary School 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Twin Ridges Elementary School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Twin Ridges Elementary School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that I consider to be significant deficiencies.

### **Compliance and Other Matters**

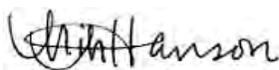
As part of obtaining reasonable assurance about whether Twin Ridges Elementary School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Twin Ridges Elementary School District's Response to Findings**

Twin Ridges Elementary School District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Twin Ridges Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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



MICHELLE M. HANSON  
Certified Public Accountant

December 4, 2017



Certified Public Accountant

200 Gateway Drive, #370  
Lincoln, CA 95648  
:(916) 434-1425  
✉: michelle@mhansoncpa.com

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

I have audited Twin Ridges Elementary School District’s compliance with the types of compliance requirements described in the 2016-2017 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Twin Ridges Elementary School District’s State government programs as noted below for the year ended June 30, 2017.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of State laws and regulations.

**Auditor’s Responsibility**

My responsibility is to express an opinion on compliance with State laws and regulations of Twin Ridges Elementary School District’s State government programs based on my audit of the types of compliance requirements referred to below. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2016-2017 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Twin Ridges Elementary School District’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Twin Ridges Elementary School District’s compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
Mental Health Expenditures	Yes

<u>Description</u>	<u>Procedures Performed</u>
<b>School Districts, County Office of Education and Charter Schools:</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Not Applicable
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

**Opinion on Each State Government Program**

In my opinion, Twin Ridges Elementary School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2017.

**Other Matters**

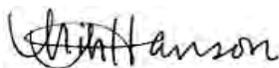
The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which is described in the accompanying schedule of findings and responses as item 2017-003. My opinion on State government programs is not modified with respect to this matter.

**Twin Ridges Elementary School District’s Response to Findings**

Twin Ridges Elementary School District’s response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Twin Ridges Elementary School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



MICHELLE M. HANSON  
Certified Public Accountant

December 4, 2017

## FINDINGS AND RESPONSES SECTION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES

JUNE 30, 2017

---

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?  Yes  None reported

Noncompliance material to financial  
statements noted?  Yes  No

*State Awards*

Internal control over state programs:  
Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?  Yes  None reported

Type of auditor's report issued on compliance  
for state programs: Unmodified

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES

JUNE 30, 2017

---

**Section II - Financial Statements Findings**

2017 - 001 - CASH DISBURSEMENTS - 30000

Criteria: Sound accounting practices require prior approval for purchases in the form of a purchase requisition or purchase order and supporting documentation, such as a receipt or invoice, to be retained for all cash disbursements, including employee reimbursements.

Statement of Condition: During the testing of internal controls for purchases and cash disbursements, it was noted the District inconsistently used purchase orders/requisitions and it is more often the District's practice for purchases to be verbally approved in advance with an authorizing "OK to pay" signature on the invoice prior to payment. Four of the twenty-five disbursements in the sample were paid without the "OK to pay" authorization and eighteen of the twenty-five had no physical evidence of prior authorization for the purchase.

Cause: As a small District, the practice of approving the invoices for payment has seemed sufficient, and the four exceptions noted above were isolated and likely occurred during a training period.

Effect or Potential Effect: Lack of proper authorization and documentation limits management's control over expenditures and creates an environment where unauthorized disbursements may be made and not detected.

Questioned Costs: The conditions referred to above were the result of tests of an attribute of the control system. Consideration was given to defining the dollar amount by extending the error rate to the total population, but it was determined this type of analysis would likely result in an incorrect conclusion.

Recommendation: To improve internal and budgetary controls, all District expenditures should be supported by a completed purchase requisition or purchase order prepared, approved, and dated in advance of the purchase. The District should also consider implementing encumbrance accounting to further strengthen budgetary controls.

View of Responsible Official: The District agrees with this finding and is working to implement a system to confirm and show proper back up with respect to all purchase approvals.

2017 - 002 - PAYROLL DISBURSEMENTS - 30000

Criteria: Sound accounting practices require an internal control system be in place to ensure each payroll transaction is complete, accurate, and reviewed by someone other than the preparer. All employee timecards which provide a basis for pay should be reviewed, signed by a supervisor and retained.

Statement of Condition: During the testing of controls over processing payrolls based on employee's timecards, it was determined timecards for supplemental hours were not signed by the appropriate supervisory personnel.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES

JUNE 30, 2017

---

**Section II - Financial Statements Findings (Concluded)**

2017 - 002 - PAYROLL DISBURSEMENTS - 30000 (CONCLUDED)

Cause: There was a misunderstanding during training and it was thought that only the timecards for the regular contracted hours should be signed by the employee and the supervisor.

Effect or Potential Effect: Employees may be incorrectly paid and errors or misappropriations may occur and not be detected by an employee performing their regular duties if the controls over payroll processing are inadequate.

Questioned Costs: The conditions referred to above were the result of tests of an attribute of the control system. We did not determine any inappropriate employee payments were made.

Recommendation: To improve internal controls over payroll disbursements, the District should require all timecards be reviewed and signed by an individual in a supervisory position with knowledge regarding the employee's schedule and duties.

View of Responsible Official: The District agrees with this finding and will strive to have all time cards signed by an individual in a supervisory position with knowledge of the employee's schedule.

**Section III - Federal Award Findings and Responses**

No matters are reported.

**Section IV - State Award Findings and Responses**

2017 - 003 - TEACHER CERTIFICATION AND MISASSIGNMENT - 71000

Criteria: Pursuant to *California Education Code* Section 46300, local education agencies receive state funding for reported average daily attendance on the condition that pupils are taught by teachers who hold valid certification documents.

Statement of Condition: During testing of state compliance for teacher certification and misassignment, I identified a teacher with single subject credential was assigned to teach in a self-contained (elementary) class. The teacher's General Education Multiple Subject Limited Assignment Teaching Permit had expired after the 2015/2016 school year and had not been renewed.

Cause: The District was not aware the General Education Multiple Subject Limited Assignment Teaching Permit was only valid for one year and did not re-apply for the 2016/2017 school year.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES

JUNE 30, 2017

---

**Section IV - State Award Findings and Responses (Concluded)**

2017 - 003 - TEACHER CERTIFICATION AND MISASSIGNMENT - 71000 (CONCLUDED)

Effect or Potential Effect: The District is not in compliance with Education Code Section 46300.

Questioned Costs: This is a finding of noncompliance without associated questioned costs because the teacher held a valid teaching credential but was teaching in a subject that was not authorized.

Recommendation: The District should implement procedures to ensure each person employed in a position requiring certification qualification is required to provide a valid certification document or renewed document to the District.

View of Responsible Official: The District agrees with this finding and will strive to check that all credentialed positions are properly classed and that the employees working in those positions have the proper credentials.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2017

---

2016 - 001: Expenditures should be monitored during the year by District administration to assure appropriations are not exceeded. Budget adjustments or transfers should be processed to adjust appropriations when actual expenditures exceed estimates.

Current Status:

Accepted  
Implemented

2016 - 002: The District should assess the safety, cleanliness and adequacy of school facilities annually at a time that coincides with the preparation of the School Accountability Report Card to ensure accurate information is reported in compliance with *California Education Code* Section 33126(b)(8).

Current Status:

Accepted  
Implemented

2016 - 003: The District should submit an expenditure plan to the California Energy Commission for the proposed use of the funding allocated through the California Clean Energy Act, Proposition 39. If a plan is not submitted, the District should reimburse the restricted resources spent from other available reserves.

Current Status:

Accepted  
Implemented