

**RINCON VALLEY UNION SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2021

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Notes to the Basic Financial Statements	20
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	55
Schedule of Changes in Total OPEB Liability and Related Ratios	56
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	57
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	58
Schedule of Contributions - CalSTRS	59
Schedule of Contributions - CalPERS	60
Notes to Required Supplementary Information	61

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2021

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Trustees/Administration	63
Combining Statements - Non-Major Funds:	
Combining Balance Sheet - Non-Major Governmental Funds	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	66
Schedule of Instructional Time	68
Schedule of Instructional Time - Charter School	69
Schedule of Expenditures of Federal Awards	70
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	71
Schedule of Financial Trends and Analysis	72
Schedule of Revenues, Expenditures, and Change in Fund Balance - Measure B Parcel Tax	73
Schedule of Charter Schools	74
Notes to Supplementary Information	75
<u>OTHER INDEPENDENT AUDITOR'S REPORTS 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>	77
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	79
Independent Auditor's Report on State Compliance	81

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2021

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	85
Section II - Financial Statement Findings	86
Section III - Federal Award Findings and Questioned Costs	87
Section IV - State Award Findings and Questioned Costs	88
Status of Prior Year Recommendations	89

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rincon Valley Union School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rincon Valley Union School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rincon Valley Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is also not a required part of the basic financial statements.

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

Other Matters (Concluded)

Other Information (Concluded)

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, on our consideration of the Rincon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rincon Valley Union School District's 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 Rincon Valley Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

March 7, 2022

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Rincon Valley Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$2,717,055, due primarily to the current year receipt of more than \$4.3 million of school facilities apportionments.
- Net capital assets decreased \$2,572,720 due to the current year addition of \$425,136 of new capital assets and improvements, and the current year recognition of \$2,997,856 of depreciation expense.
- Total long-term liabilities increased \$3,723,985 due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- During fiscal year 2020-21, the General Fund produced an operating surplus of \$3,564,497, and reported a \$2,848,200 increase in available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2020-21, General Fund expenditures and other financing uses totaled \$41,362,098. At June 30, 2021, the District had available reserves of \$11,290,029 in the General Fund which represents a reserve of 27.3%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONTINUED)

- ❖ Basic services funding is described in governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

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

Reporting the District as a Whole

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

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

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

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

Reporting the District's Most Significant Funds

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

The major governmental funds of the Rincon Valley Union School District are the General Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year.

A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The net position deficit decreased from \$4,599,079 at June 30, 2020, down to \$1,882,024 at June 30, 2021.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
<u>Assets</u>		
Deposits and Investments	\$ 17,214,496	\$ 19,577,100
Receivables	5,000,848	10,109,137
Stores Inventories	4,359	7,614
Capital Assets, net	73,369,896	70,797,176
Total Assets	<u>95,589,599</u>	<u>100,491,027</u>
<u>Deferred Outflows of Resources</u>		
OPEB Deferrals	854,125	1,033,828
Pension Deferrals	10,864,316	11,031,600
Bond Refunding	846,437	675,727
Total Deferred Outflows of Resources	<u>12,564,878</u>	<u>12,741,155</u>
<u>Liabilities</u>		
Current	8,166,816	8,444,208
Long-term	101,461,683	115,057,637
Total Liabilities	<u>109,628,499</u>	<u>123,501,845</u>
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals	30,310	25,786
Pension Deferrals	3,094,747	1,586,575
Total Deferred Inflows of Resources	<u>3,125,057</u>	<u>1,612,361</u>
<u>Net Position</u>		
Net Investment in Capital Assets	24,776,982	23,881,085
Restricted for Capital Projects	18,149	21,190
Restricted for Debt Service	(3,781,829)	(4,168,112)
Restricted for Educational Programs	496,481	1,894,978
Restricted for Other Purposes	153,592	299,347
Unrestricted (Deficit)	<u>(26,262,454)</u>	<u>(23,810,512)</u>
Total Net Position (Deficit)	<u>\$ (4,599,079)</u>	<u>\$ (1,882,024)</u>
<i>Table includes financial data of the combined governmental funds.</i>		

The restricted for debt service deficit balance reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund. The unrestricted deficit balance is due primarily to the fact that the District is required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

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

The District's total current year revenues exceeded total current year expenses by \$2,717,055.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
<u>Program Revenues</u>		
Charges for Services	\$ 3,477,660	\$ 3,717,187
Operating Grants & Contributions	5,660,774	10,091,361
Capital Grants and Contributions	0	1,414
<u>General Revenues</u>		
Taxes Levied	24,054,259	24,882,127
Federal & State Aid	14,712,623	18,015,279
Interest & Investment Earnings	364,038	139,775
Transfers from Other Agencies	288,417	0
Miscellaneous	1,821,950	1,369,723
Total Revenues	<u>50,379,721</u>	<u>58,216,866</u>
<u>Expenses</u>		
Instruction	30,945,168	30,052,555
Instruction-Related Services	5,463,084	6,452,612
Pupil Services	6,988,891	7,528,530
General Administration	2,356,638	2,690,605
Plant Services	4,398,113	4,996,160
Ancillary Services	39,613	44,759
Community Services	1,324,349	1,618,184
Interest on Long-Term Debt	1,941,133	2,115,062
Other Expenses	3,585	1,344
Total Expenses	<u>53,460,574</u>	<u>55,499,811</u>
Changes in Net Position	<u>\$ (3,080,853)</u>	<u>\$ 2,717,055</u>

Table includes financial data of the combined governmental funds.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

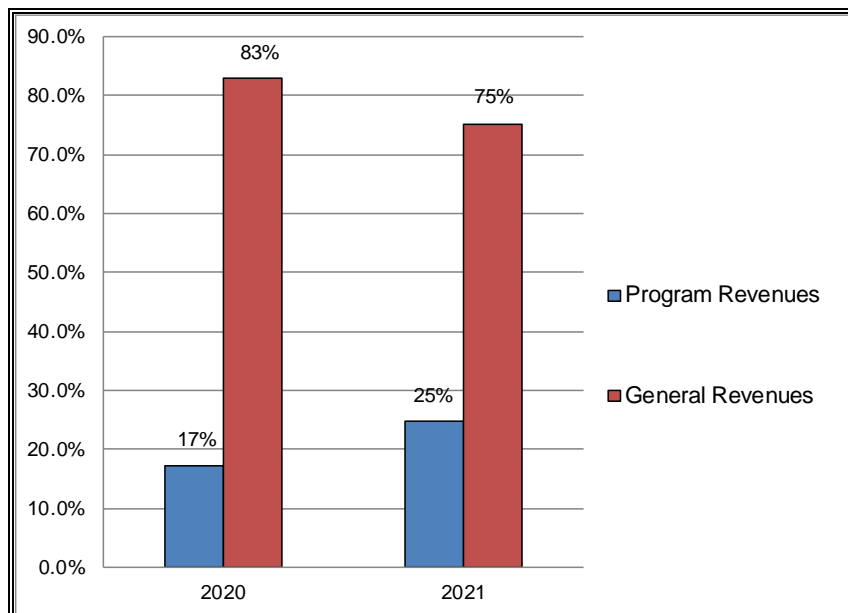
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$41,689,849 cost shows the financial burden that was placed on the District's general revenues for providing the services listed below.

	Total Cost of Services		Net Cost of Services	
	2020	2021	2020	2021
	Instruction	\$ 30,945,168	\$ 30,052,555	\$ 25,860,815
Instruction-Related Services	5,463,084	6,452,612	4,961,448	4,669,435
Pupil Services	6,988,891	7,528,530	4,089,935	4,275,145
General Administration	2,356,638	2,690,605	1,954,180	2,185,384
Plant Services	4,398,113	4,996,160	4,350,020	4,819,651
Other Expenses	3,308,680	3,779,349	3,105,742	3,108,271
Totals	\$ 53,460,574	\$ 55,499,811	\$ 44,322,140	\$ 41,689,849

Table includes financial data of the combined governmental funds

For fiscal year 2020-21, program revenues financed 25% of the total cost of providing the services listed above, while the remaining 75% was financed by the general revenues of the District.



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

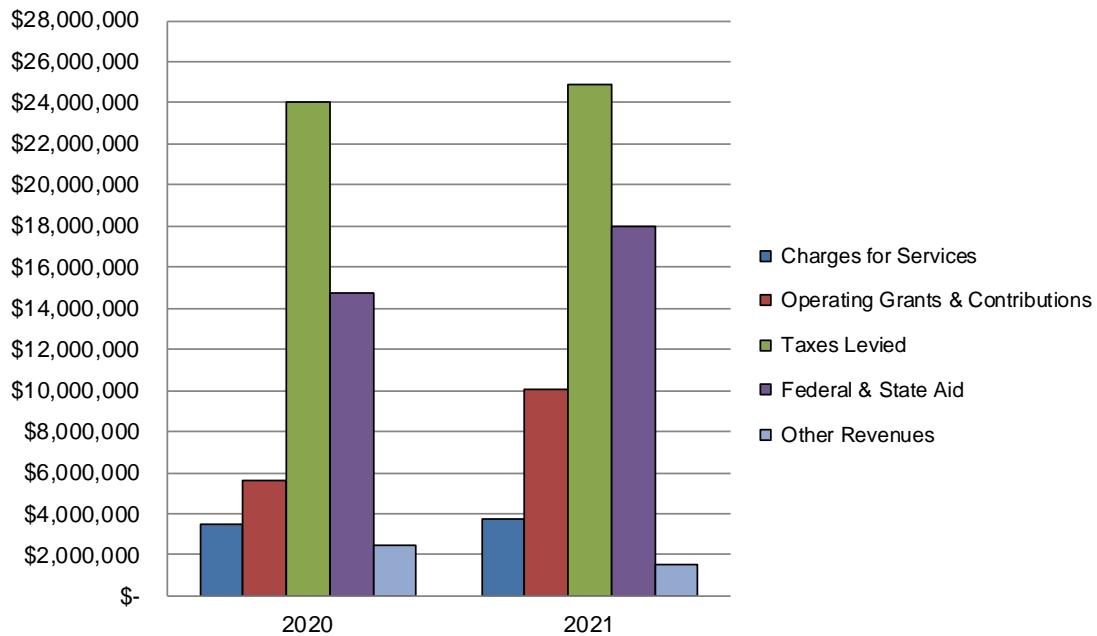
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Revenues For Governmental Functions

	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 3,477,660	6.90%	\$ 3,717,187	6.39%
Operating Grants & Contributions	5,660,774	11.24%	10,091,361	17.33%
<u>General Revenues</u>				
Taxes Levied	24,054,259	47.75%	24,882,127	42.74%
Federal & State Aid	14,712,623	29.20%	18,015,279	30.95%
Other Revenues	2,474,405	4.91%	1,509,498	2.59%
Total Revenues	<u>\$ 50,379,721</u>	<u>100.00%</u>	<u>\$ 58,216,866</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds

Comparative Revenues



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

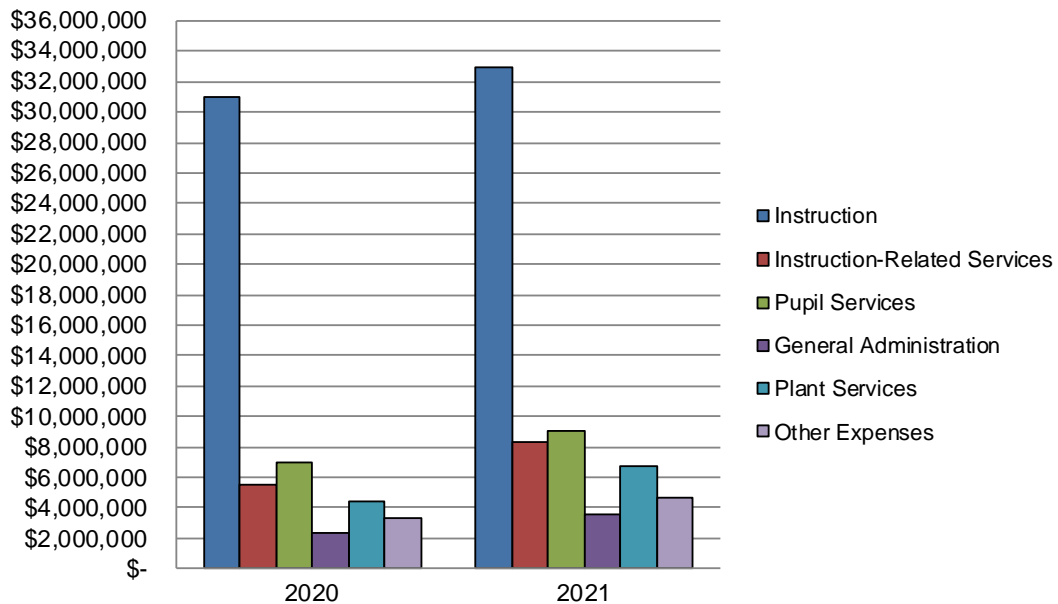
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 30,945,168	57.88%	\$ 30,052,555	54.15%
Instruction-Related Services	5,463,084	10.22%	6,452,612	11.63%
Pupil Services	6,988,891	13.07%	7,528,530	13.56%
General Administration	2,356,638	4.41%	2,690,605	4.85%
Plant Services	4,398,113	8.23%	4,996,160	9.00%
Other Expenses	3,308,680	6.19%	3,779,349	6.81%
Total Expenses	\$ 53,460,574	100.00%	\$ 55,499,811	100.00%

Table includes financial data of the combined governmental funds.

Comparative Expenses



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Land	\$ 4,260,520	\$ 4,260,520
Sites and Improvements	6,323,977	6,379,417
Buildings and Improvements	88,358,350	88,463,150
Furniture and Equipment	3,917,337	4,004,306
Construction-in-Progress	0	177,927
Subtotals	<u>102,860,184</u>	<u>103,285,320</u>
Less: Accumulated Depreciation	<u>(29,490,288)</u>	<u>(32,488,144)</u>
Capital Assets, net	<u>\$ 73,369,896</u>	<u>\$ 70,797,176</u>

Net capital assets decreased \$2,572,720 due to the current year addition of \$425,136 of new capital assets and improvements, and the current year recognition of \$2,997,856 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Compensated Absences	\$ 211,005	\$ 185,509
General Obligation Bonds	53,193,951	51,982,373
Capital Lease	2,008,976	1,813,192
Total OPEB Liability	2,830,031	3,201,330
Net Pension Liabilities	45,403,177	50,188,721
Totals	<u>\$ 103,647,140</u>	<u>\$ 107,371,125</u>

Total long-term liabilities increased \$3,723,985 due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans. The general obligation bonds are financed by the local taxpayers and represent 48% of the long-term liabilities. The capital lease is financed by developer fees and represents 2% of the District's long-term liabilities. The total OPEB and net pension liabilities represent 50% of the long-term liabilities and are obligations of the General Fund, Cafeteria Fund, Child Development Fund, and Charter School Fund. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2020	Fund Balances June 30, 2021	Increase (Decrease)
General	\$ 9,499,176	\$ 13,063,673	\$ 3,564,497
Capital Projects - Special Reserve	4,359,098	7,553,578	3,194,480
Cafeteria	134,342	276,842	142,500
Child Development	2,000	2,000	0
Charter School	243,832	610,213	366,381
Bond Interest & Redemption	2,558,168	2,609,514	51,346
Capital Facilities	18,149	19,776	1,627
County School Facilities	0	1,414	1,414
Totals	\$ 16,814,765	\$ 24,137,010	\$ 7,322,245

During fiscal year 2020-21, the fund balance of the General Fund increased \$3,564,497 and the combined fund balances of all other governmental funds increased \$3,757,748, due primarily to the current year receipt of more than \$4.3 million of school facilities apportionments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures, and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

During the 2021-22 school year, the District will continue to be impacted by the on-going health concerns associated with Covid-19. The District has modified its operational procedures, however, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

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

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(PREPARED BY DISTRICT MANAGEMENT)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Chief Business Official, Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California, 95405.

RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 19,577,100
Receivables (Note 3)	10,109,137
Stores Inventory (Note 1H)	7,614
Capital Assets, Not Depreciated (Note 5)	4,438,447
Capital Assets, Net of Accumulated Depreciation	66,358,729
Total Assets	100,491,027
<u>Deferred Outflows of Resources</u>	
OPEB Deferrals (Note 9)	1,033,828
Pension Deferrals (Note 10)	11,031,600
Bond Refunding	675,727
Total Deferred Outflows of Resources	12,741,155
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	5,182,235
Accrued Interest Payable	573,879
Unearned Revenue (Note 1H)	374,606
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	185,509
General Obligation Bonds	
Current Interest	1,605,000
Capital Appreciation	265,000
Bond Premium	58,668
Capital Leases	199,311
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	38,545,000
Capital Appreciation	10,506,458
Bond Premium	1,002,247
Capital Leases (Note 8)	1,613,881
Total OPEB Liability (Note 9)	3,201,330
Net Pension Liabilities (Note 10)	50,188,721
Total Liabilities	113,501,845
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 9)	25,786
Pension Deferrals (Note 10)	1,586,575
Total Deferred Inflows of Resources	1,612,361
<u>Net Position</u>	
Net Investment in Capital Assets	23,881,085
Restricted:	
For Capital Projects	21,190
For Debt Service (Deficit)	(4,168,112)
For Educational Programs	1,894,978
For Other Purposes	299,347
Unrestricted (Deficit)	(23,810,512)
Total Net Position (Deficit)	\$ (1,882,024)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 30,052,555	\$ 1,159,636	\$ 6,259,542	\$ 1,414	\$ (22,631,963)
Instruction-Related Services:					
Supervision of Instruction	1,089,325	6,003	590,584		(492,738)
Instructional Library and Technology	1,444,260		465,090		(979,170)
School Site Administration	3,919,027	237,191	484,309		(3,197,527)
Pupil Services:					
Home-to-School Transportation	533,216				(533,216)
Food Services	1,120,198	61,444	838,173		(220,581)
Other Pupil Services	5,875,116	1,636,632	717,136		(3,521,348)
General Administration:					
Data Processing Services	15				(15)
Other General Administration	2,690,590	349,753	155,468		(2,185,369)
Plant Services	4,996,160	65,077	111,432		(4,819,651)
Ancillary Services	44,759	9,968	5,686		(29,105)
Community Services	1,618,184		462,992		(1,155,192)
Interest on Long-Term Debt	2,115,062				(2,115,062)
Other Outgo	1,344	191,483	949		191,088
Total Governmental Activities	\$ 55,499,811	\$ 3,717,187	\$ 10,091,361	\$ 1,414	(41,689,849)
<u>General Revenues</u>					
Taxes Levied for General Purposes					20,441,163
Taxes Levied for Debt Service					3,163,784
Taxes Levied for Specific Purposes					1,277,180
Federal and State Aid - Unrestricted					18,015,279
Interest and Investment Earnings					139,775
Miscellaneous					1,369,723
Total General Revenues					44,406,904
Change in Net Position					2,717,055
Net Position (Deficit) - July 1, 2020					(4,599,079)
Net Position (Deficit) - June 30, 2021					\$ (1,882,024)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 8,153,749	\$ 7,648,624	\$ 3,774,727	\$ 19,577,100
Receivables (Note 3)	9,433,092		676,045	10,109,137
Due from Other Funds (Note 4)	705,818	97,819	725	804,362
Stores Inventory (Note 1H)	3,255		4,359	7,614
Total Assets	<u>\$ 18,295,914</u>	<u>\$ 7,746,443</u>	<u>\$ 4,455,856</u>	<u>\$ 30,498,213</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 4,759,091	\$ 192,865	\$ 230,279	\$ 5,182,235
Due to Other Funds (Note 4)	98,544		705,818	804,362
Unearned Revenue (Note 1H)	374,606			374,606
Total Liabilities	<u>5,232,241</u>	<u>192,865</u>	<u>936,097</u>	<u>6,361,203</u>
Fund Balances: (Note 12)				
Nonspendable	20,505		6,359	26,864
Restricted	1,753,139		3,045,026	4,798,165
Assigned		7,553,578	468,374	8,021,952
Unassigned	11,290,029			11,290,029
Total Fund Balances	<u>13,063,673</u>	<u>7,553,578</u>	<u>3,519,759</u>	<u>24,137,010</u>
Total Liabilities and Fund Balances	<u>\$ 18,295,914</u>	<u>\$ 7,746,443</u>	<u>\$ 4,455,856</u>	<u>\$ 30,498,213</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RINCON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 24,137,010

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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 and accumulated depreciation are:

Capital Assets	\$ 103,285,320	
Accumulated Depreciation	(32,488,144)	
Net		70,797,176

Deferred outflows and inflows of resources related to other post employment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported. The net of deferred outflows and inflows was:

1,008,042

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

9,445,025

Unamortized costs: In governmental funds, any gain or loss that results from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, was:

675,727

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	\$ 185,509	
General Obligation Bonds	51,982,373	
Capital Lease	1,813,192	
Total OPEB Liability	3,201,330	
Net Pension Liabilities	50,188,721	
Total		(107,371,125)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owed at the end of the period was:

(573,879)

Total Net Position (Deficit) - Governmental Activities **\$ (1,882,024)**

**RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 10,021,293		\$ 2,974,201	\$ 12,995,494
Local Taxes	20,441,163			20,441,163
Total LCFF Sources	30,462,456		2,974,201	33,436,657
Federal Revenue	3,472,218		1,120,979	4,593,197
State Revenue	4,226,094	\$ 4,318,848	600,720	9,145,662
Local Revenue	6,765,827	180,894	4,094,629	11,041,350
Total Revenues	<u>44,926,595</u>	<u>4,499,742</u>	<u>8,790,529</u>	<u>58,216,866</u>
<u>Expenditures</u>				
Current:				
Instruction	24,081,687		2,539,755	26,621,442
Supervision of Instruction	1,020,151			1,020,151
Instructional Library and Technology	1,162,280		29,133	1,191,413
School Site Administration	3,092,072		343,072	3,435,144
Home-To-School Transportation	442,197			442,197
Food Services			1,001,596	1,001,596
Other Pupil Services	5,086,959		89,185	5,176,144
Data Processing Services	15			15
Other General Administration	2,341,077		13,540	2,354,617
Plant Services	3,280,036	903,929	151,071	4,335,036
Facilities Acquisition and Construction	47,160	401,333	38,868	487,361
Ancillary Services	39,852			39,852
Community Services	351,119		1,082,934	1,434,053
Other Outgo	1,344			1,344
Debt Service:				
Principal Retirement			1,915,784	1,915,784
Interest and Issuance Costs			1,438,472	1,438,472
Total Expenditures	<u>40,945,949</u>	<u>1,305,262</u>	<u>8,643,410</u>	<u>50,894,621</u>
Excess of Revenues Over Expenditures	<u>3,980,646</u>	<u>3,194,480</u>	<u>147,119</u>	<u>7,322,245</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In			416,149	416,149
Operating Transfers Out	(416,149)			(416,149)
Total Other Financing Sources (Uses)	<u>(416,149)</u>	<u>0</u>	<u>416,149</u>	<u>0</u>
Net Change in Fund Balances	3,564,497	3,194,480	563,268	7,322,245
Fund Balances - July 1, 2020	9,499,176	4,359,098	2,956,491	16,814,765
Fund Balances - June 30, 2021	<u>\$ 13,063,673</u>	<u>\$ 7,553,578</u>	<u>\$ 3,519,759</u>	<u>\$ 24,137,010</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 7,322,245

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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 useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlay Expenditures	\$ 425,136	
Depreciation Expense	<u>(2,997,856)</u>	
Net		(2,572,720)

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were: (170,710)

Bond premiums: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received. In the government-wide statements, bond premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are: 58,669

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 25,496

Other post employment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (187,072)

Pension liabilities: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was: (3,110,088)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,915,784

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was: 2,542

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (567,091)

Change in Net Position of Governmental Activities \$ 2,717,055

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Rincon Valley Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1948 and serves students in kindergarten through grade eight.

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

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 Rincon Valley Union School District, this includes general operations, food service, child development programs, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has identified no organizations that are required to be reported as component units.

The District has approved a charter for the Rincon Valley Charter School that is operated by the District. Since the District is financially accountable for the fiscally dependent Charter School and has a financial benefit/burden relationship with the District, the Charter School meets the criteria for inclusion within its financial reporting entity under GASB 61. Accordingly, the financial activities of the Rincon Valley Charter School are presented in the Charter School Fund using the blended component unit method.

The District has also approved charters for Binkley Charter School, Spring Creek/Matanzas Charter School, Village Charter School, and Whited Charter School, which the District does not consider to be separate legal entities for the financial reporting purposes. Accordingly, the financial activities of each of these charter schools are included in the General Fund of the District.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units, when applicable.

The effect of interfund activity, within the governmental activities' columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities.

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

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

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.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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 an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

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

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

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

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

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

The District's funds are organized into major and non-major funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District.

Capital Projects - Special Reserve Fund is used to account for funds that have been set aside for current and future capital projects throughout the District.

Non-major Governmental Funds:

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

Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Charter School Fund is used account for revenues received and expenditures made to operate the Rincon Valley Charter School.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

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

Building Fund is used to account for resources received from the issuance of bonds to finance school improvement and expansion.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 55.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

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

F. Use of Estimates

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

G. Encumbrances

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

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

1. Deposits and Investments

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Stores Inventory and Prepaid Expenses / Expenditures

Inventory is recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption.

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Reported inventory and prepaid expenses/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	10-50
Furniture and Equipment	5-15

4. Deferred Outflows/Inflows of Resources

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

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Unearned Revenue

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

6. Compensated Absences

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

7. Other Post Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

8. Pensions

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

9. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the year of issuance. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balances

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

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

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

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

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision-making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Deputy Superintendent of Business Services has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 15% of the General Fund's annual total expenditures and other financing uses. In the event the fund balance drops below 15%, it shall be recovered at a rate of no less than 1% each year.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

11. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the “revenue limit” formula to the “Local Control Funding Formula” (LCFF). The LCFF creates base, supplemental and concentration grants as the new general-purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

Cash on Hand and in Banks	\$ 5,750
Cash in Revolving Funds	17,250
County Pool Investments	19,554,100
Total	\$ 19,577,100

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

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

Cash in Revolving Funds

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

County Pool Investments

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

General Authorization

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

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 19,554,100	\$ 19,548,234	749

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

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

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

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

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

The District's fair value measurements are as follows at June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 19,548,234	\$ 19,548,234

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2021 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 1,928,508	\$ 203,095	\$ 2,131,603
State Government	5,740,828	472,950	6,213,778
Local Governments	1,465,515		1,465,515
Miscellaneous	298,241		298,241
Totals	\$ 9,433,092	\$ 676,045	\$ 10,109,137

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - INTERFUND ACTIVITIES

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

A. Balances Due From/Due To Other Funds

Balances at June 30, 2021, consisted of the following:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 705,818	\$ 98,544
Cafeteria	725	13,539
Child Development		215,928
Charter School		476,351
Capital Projects - Special Reserve	97,819	
Totals	<u>\$ 804,362</u>	<u>\$ 804,362</u>

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

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2020-21 were as follows:

<u>Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General		\$ 416,149
Child Development	\$ 259,149	
Capital Facilities	157,000	
Totals	<u>\$ 416,149</u>	<u>\$ 416,149</u>

Transfer of \$259,149 from General Fund to Child Development Fund to supplement cash flow for the child development program.

Transfer of \$157,000 from General Fund to Capital Facilities Fund to cover the cost of the annual payment required for the construction of Austin Creek.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balances July 1, 2020	Additions	Deletions	Balances June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 4,260,520			\$ 4,260,520
Construction-in-Progress	0	\$ 425,136	\$ 247,209	177,927
Total Capital Assets Not Being Depreciated	4,260,520	425,136	247,209	4,438,447
Capital Assets Being Depreciated:				
Sites and Improvements	6,323,977	55,440		6,379,417
Buildings and Improvements	88,358,350	104,800		88,463,150
Furniture and Equipment	3,917,337	86,969		4,004,306
Total Capital Assets Being Depreciated	98,599,664	247,209	0	98,846,873
Less Accumulated Depreciation:				
Sites and Improvements	1,983,807	282,502		2,266,309
Buildings and Improvements	25,222,013	2,343,874		27,565,887
Furniture and Equipment	2,284,468	371,480		2,655,948
Total Accumulated Depreciation	29,490,288	2,997,856	0	32,488,144
Total Capital Assets Being Depreciated, Net	69,109,376	(2,750,647)	0	66,358,729
Capital Assets, Net	<u>\$ 73,369,896</u>	<u>\$ (2,325,511)</u>	<u>\$ 247,209</u>	<u>\$ 70,797,176</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,629,484
Instruction-Related Services	413,216
Pupil Services	449,922
General Administration	174,646
Plant Services	330,588
Total	<u>\$ 2,997,856</u>

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 6 - GENERAL OBLIGATION BONDS

The general obligation bonds are secured by the full faith and credit of the District. Sonoma County is obligated to annually levy and collect ad valorem taxes upon all property within the District subject to taxation for the payment of interest and principal of the bonds.

As of June 30, 2021, the outstanding general obligation debt, excluding \$1,060,915 of unamortized bond premiums, is as follows:

A. Current Interest Bonds

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2020</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2021</u>
2005	5.00	2037	\$ 1,940,000	\$ 1,940,000		\$ 1,940,000
2012	2.25	2029	15,980,000	10,780,000	\$ 975,000	9,805,000
2014	2.00-5.00	2040	18,000,000	13,500,000	305,000	13,195,000
2018	2.00-5.00	2040	17,000,000	15,405,000	195,000	15,210,000
Totals			<u>\$ 52,920,000</u>	<u>\$ 41,625,000</u>	<u>\$ 1,475,000</u>	<u>\$ 40,150,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2021, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 1,605,000	\$ 1,355,344	\$ 2,960,344
2023	1,745,000	1,304,006	3,049,006
2024	1,905,000	1,247,669	3,152,669
2025	2,070,000	1,184,031	3,254,031
2026	2,260,000	1,112,437	3,372,437
2027-2031	9,910,000	4,408,469	14,318,469
2032-2036	9,795,000	2,889,438	12,684,438
2037-2041	10,860,000	718,572	11,578,572
Totals	<u>\$ 40,150,000</u>	<u>\$ 14,219,966</u>	<u>\$ 54,369,966</u>

B. Capital Appreciation Bonds

<u>Year of Issue</u>	<u>Accretion Rate %</u>	<u>Year of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2020</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2021</u>
2005	3.04-11.75	2036	<u>\$ 5,459,008</u>	<u>\$ 10,449,367</u>	<u>\$ 567,091</u>	<u>\$ 245,000</u>	<u>\$ 10,771,458</u>

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

The outstanding obligation for the capital appreciation bonds at June 30, 2021, is as follows:

Year Ended June 30	Original Issue (Principal)	Accreted Interest	Totals
2022	\$ 120,771	\$ 143,170	\$ 263,941
2023	120,551	144,985	265,536
2024	119,867	146,247	266,114
2025	118,761	146,984	265,745
2026	117,280	147,217	264,497
2027-2031	1,536,052	2,003,065	3,539,117
2032-2036	2,434,428	3,472,080	5,906,508
Totals	<u>\$ 4,567,710</u>	<u>\$ 6,203,748</u>	<u>\$ 10,771,458</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2021, are as follows:

Year Ended June 30	Principal	Interest	Totals
2022	\$ 120,771	\$ 144,229	\$ 265,000
2023	120,551	159,449	280,000
2024	119,867	175,133	295,000
2025	118,761	191,239	310,000
2026	117,280	207,720	325,000
2027-2031	1,536,052	3,843,948	5,380,000
2032-2036	2,434,428	9,640,572	12,075,000
Totals	<u>\$ 4,567,710</u>	<u>\$ 14,362,290</u>	<u>\$ 18,930,000</u>

NOTE 7 - OPERATING LEASES

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

NOTE 8 - CAPITAL LEASE

On December 1, 2009, the District entered into an adjustable rate lease purchase agreement with the Public Agency Finance Corporation in the amount of \$3,735,000, with an initial interest rate of 3.57% per annum. On December 1, 2014, December 1, 2019, and on December 1, 2024, the interest rate on any such maturities shall be adjusted to equal 85% of the Seattle Federal Home Loan Bank 5 Year Advance Rate. The District used the proceeds to redeem the 2003 Series L certificates of participation. The lease is secured by the Spring Creek Elementary school site. There is no acceleration clause in the agreement.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL LEASE (CONCLUDED)

Future estimated debt service payments based on the effective interest rate are as follows:

Year Ended June 30	Principal	Interest	Totals
2022	\$ 199,311	\$ 31,633	\$ 230,944
2023	202,903	28,042	230,945
2024	206,558	24,386	230,944
2025	210,280	20,665	230,945
2026	214,068	16,876	230,944
2027-2031	780,072	28,234	808,306
Totals	<u>\$ 1,813,192</u>	<u>\$ 150,856</u>	<u>\$ 1,963,028</u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Rincon Valley Union School District's defined benefit Other Post-Employment Benefits Plan (Plan) is a single employer defined benefit health care plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

Plan Description / Benefits Provided

The Plan provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

The benefits provided to eligible retirees are presented on the following table:

	Certificated hired before 6/30/86	Classified, Confidential, Supervisors hired before 7/1/14	Designated Certificated Management
Duration of Benefits	To age 65 *	To age 65	To age 65 *
Required Service	20 years *	5 years	20 years *
Minimum age	55 years	55 years	55
Dependent Coverage	Yes *	Yes	Yes *
District Contribution %	100%	100%	100%
District Cap	Active cap	100% of active cap at 15 years of service; 5 to 15 years, prorated percentage of cap	Active cap

* At 20 years of service, employee plus one dependent coverage to age 65; at 25 years of service, a choice of employee only coverage to age 70 or employee plus dependent coverage to age 65.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description / Benefits Provided (Concluded)

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2019 are as follows:

Inactive employees currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>117</u>
Total number of participants	<u><u>135</u></u>

Total OPEB Liability

The District's total OPEB liability of \$3,201,330 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2019, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age
Inflation	2.63%
Salary Increases	2.75%
Discount Rate	2.20%, net of expenses
Health Care Cost Trend Rates	4.00% per year

The discount rate is based on the Bond Buyer 20 Bond Index.

Mortality, retirement, and turnover assumptions for certificated employees were based on the 2009 CalSTRS Mortality, Retirement Rates, and Termination Rates tables created by CalSTRS.

Mortality, retirement, and turnover assumptions for classified employees were based on the 2009 CalPERS Mortality, Retirement Rates, and Termination Rates tables created by CalPERS.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance - Beginning of Year	\$ 2,830,031
Changes for the year:	
Service cost	207,552
Interest on total OPEB liability	99,136
Differences between expected and actual experience	15,863
Changes in assumptions or other inputs	267,338
Benefit payments (includes implicit subsidy)	(218,590)
Net change	371,299
Balance - End of Year	\$ 3,201,330

There were no changes in benefit terms since the June 30, 2019 valuation.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 2.20%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

	Discount Rate 1% Decrease	Discount Rate Current Rate	Discount Rate 1% Increase
District's total OPEB liability	\$ 3,018,637	\$ 3,201,330	\$ 3,412,367

Sensitivity of the District's Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current health care cost trend rate of 4.00%, as well as what the District's total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Health Care Cost Trend Rate 1% Decrease	Health Care Cost Trend Rate Current Rate	Health Care Cost Trend Rate 1% Increase
District's total OPEB liability	\$ 3,379,917	\$ 3,201,330	\$ 2,985,717

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$454,196. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 218,590	
Differences between expected and actual experience	550,981	
Changes of assumptions or other inputs	264,257	\$ 25,786
Totals	\$ 1,033,828	\$ 25,786

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

Amounts reported as deferred outflows of resources and deferred inflows of resources are amortized over the average of the expected remaining active and inactive service lives that were in effect in the year the deferral was recognized, and will be recognized in OPEB expense as follows:

Year Ended June 30		
2022	\$	147,505
2023		147,505
2024		147,505
2025		147,505
2026		147,505
Thereafter		51,927

NOTE 10 - RETIREMENT PLANS

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 32,905,499	\$ 8,029,459	\$ 1,530,883	\$ 6,397,544
CalPERS	17,283,222	3,002,141	55,692	3,465,287
Totals	<u>\$ 50,188,721</u>	<u>\$ 11,031,600</u>	<u>\$ 1,586,575</u>	<u>\$ 9,862,831</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable services activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members.

The STRP Defined Benefit Program has two benefit structures:

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

There are several differences between the two benefit structures and some of the differences are noted below.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and the Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established by the CalSTRS Funding Plan, which was enacted with AB 1469 in June 2014. Current contribution rates have also been adjusted pursuant to SB 90 (June 2019) and AB 84 (June 2020). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2020-21. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2020-21.

Employers: The employer contribution rate was 16.15% of applicable member earnings for fiscal year 2020-21. This rate reflects a 2.95% reduction of the employer contribution rate for fiscal year 2020-21 pursuant to SB 90 and AB 84, than is required by the CalSTRS Funding Plan. The District contributed \$3,089,755 to the plan for the fiscal year ended June 30, 2021.

State: The contribution is calculated based on creditable compensation from two fiscal years prior. The base rate is 2.017%. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The appropriation for these additional contributions is specified in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-46. Pursuant to AB 84, the state contribution rate will remain at 5.811% for fiscal year 2020-21. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2021. This rate does not include the impacts of supplemental state contributions pursuant to SB 90.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 32,905,499
State's proportionate share of the net pension liability associated with the District	<u>16,962,788</u>
Total net pension liability attributed to District	<u><u>\$ 49,868,287</u></u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2020 and June 30, 2019 was as follows:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

Proportion - June 30, 2020	0.0340%
Proportion - June 30, 2019	0.0327%
Change - Increase (Decrease)	0.0013%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$6,397,544, which includes \$1,919,687 of support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 3,089,755	
Differences between expected and actual experience	57,027	\$ 911,140
Changes of assumptions	3,156,225	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	919,215	619,743
Net differences between projected and actual earnings on plan investments	807,237	
Totals	\$ 8,029,459	\$ 1,530,883

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ 357,294
2023	1,023,915
2024	1,419,242
2025	429,942
2026	50,088
2027	128,340

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

Other than differences between projected and actual earnings on plan investments, deferred outflows and inflows of resources are amortized using a straight-line method over a closed period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), which is 7 years as of the beginning of the measurement period. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability include:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

On January 31, 2020, the board adopted new actuarial assumptions for use in the funding actuarial valuation of the defined benefit plan. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

The sections that follow provide additional discussion on key assumptions and methods for the valuation of the STRP.

Discount Rate

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term investment rate of return assumption 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 investment staff and investment consultants as an input to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

Mortality

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 49,715,625	\$ 32,905,499	\$ 19,026,372

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50.0% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 20.70% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2021 was \$1,745,366.

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

As of June 30, 2021, the District reported a liability of \$17,283,222 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2020 and June 30, 2019 was as follows:

Proportion - June 30, 2020	0.0563%
Proportion - June 30, 2019	0.0544%
Change - Increase (Decrease)	0.0019%

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$3,465,287. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,745,366	
Differences between expected and actual experience	823,223	
Changes of assumptions	61,133	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	6,308	\$ 55,692
Net differences between projected and actual earnings on plan investments	366,111	
Totals	\$ 3,002,141	\$ 55,692

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ 391,183
2023	376,078
2024	268,234
2025	165,588

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2020. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

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

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 24,847,783	\$ 17,283,222	\$ 11,005,016

Pension Plan Fiduciary Net Position

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

C. Social Security

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

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021, is shown below:

	Balances July 1, 2020	Additions	Deductions	Balances June 30, 2021	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 52,074,367	\$ 567,091	\$ 1,720,000	\$ 50,921,458	\$ 1,870,000
Bond Premium	1,119,584		58,669	1,060,915	58,668
Capital Lease	2,008,976		195,784	1,813,192	199,311
Other Long-Term Liabilities:					
Compensated Absences	211,005	185,509	211,005	185,509	185,509
Total OPEB Liability	2,830,031	589,889	218,590	3,201,330	
Net Pension Liabilities	45,403,177	4,785,544		50,188,721	
Totals	<u>\$ 103,647,140</u>	<u>\$ 6,128,033</u>	<u>\$ 2,404,048</u>	<u>\$ 107,371,125</u>	<u>\$ 2,313,488</u>

The general obligation bonds and bond premium are obligations of the Bond Interest and Redemption Fund and will be financed with property tax collections. The capital lease is an obligation of the Capital Facilities Fund. All other long-term liabilities are primarily obligations of the General Fund, Cafeteria Fund, Child Development Fund and Charter School Fund, as appropriate.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2021 consisted of the following:

	General Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:				
Revolving Cash	\$ 17,250		\$ 2,000	\$ 19,250
Stores Inventory	3,255		4,359	7,614
Total Nonspendable	<u>20,505</u>		<u>6,359</u>	<u>26,864</u>
Restricted:				
Categorical Programs	1,693,622		414,322	2,107,944
Local Programs	59,517			59,517
School Facilities			1,414	1,414
Developer Fees			19,776	19,776
Debt Service			2,609,514	2,609,514
Total Restricted	<u>1,753,139</u>		<u>3,045,026</u>	<u>4,798,165</u>
Assigned:				
Capital Projects		\$ 7,553,578		7,553,578
Other Assignments			468,374	468,374
Total Assigned	<u>0</u>	<u>7,553,578</u>	<u>468,374</u>	<u>8,021,952</u>
Unassigned:				
Reserve for Economic Uncertainties	10,871,687			10,871,687
Remaining unassigned balances	418,342			418,342
Total Unassigned	<u>11,290,029</u>	<u>0</u>	<u>0</u>	<u>11,290,029</u>
Totals	<u>\$ 13,063,673</u>	<u>\$ 7,553,578</u>	<u>\$ 3,519,759</u>	<u>\$ 24,137,010</u>

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$1,919,687 to CalSTRS. These contributions are recorded in the General Fund and Charter School Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020-21, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, and workers' compensation insurance coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members, and the JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the 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 JPA is audited on an annual basis. Financial information can be obtained by contacting JPA management.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 17 - ECONOMIC DEPENDENCY

During fiscal year 2020-21, the District received \$1,277,180 of parcel tax revenue that is subject to voter approval. The parcel tax is used to support various District programs and expires in fiscal year 2030-31.

NOTE 18 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through March 7, 2022, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 7,641,609	\$ 9,497,325	\$ 10,021,293	\$ 523,968
Local Sources	19,223,010	19,805,322	20,441,163	635,841
Total LCFF Sources	26,864,619	29,302,647	30,462,456	1,159,809
Federal Revenue	1,086,433	3,678,186	3,472,218	(205,968)
Other State Revenue	2,215,700	5,637,709	4,226,094	(1,411,615)
Other Local Revenue	6,970,200	7,367,828	6,765,827	(602,001)
Total Revenues	37,136,952	45,986,370	44,926,595	(1,059,775)
<u>Expenditures</u>				
Current:				
Certificated Salaries	17,794,086	18,886,138	18,130,932	755,206
Classified Salaries	7,200,700	8,079,007	7,541,189	537,818
Employee Benefits	9,894,943	10,904,945	10,537,457	367,488
Books and Supplies	1,266,224	4,872,853	1,862,133	3,010,720
Services and Other				
Operating Expenditures	3,098,329	3,982,296	2,799,464	1,182,832
Capital Outlay	50,000	132,535	86,969	45,566
Other Expenditures	(64,714)	(64,714)	(12,195)	(52,519)
Total Expenditures	39,239,568	46,793,060	40,945,949	5,847,111
Excess of Revenues Over (Under) Expenditures	(2,102,616)	(806,690)	3,980,646	4,787,336
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(156,266)	(544,799)	(416,149)	128,650
Net Change in Fund Balances	(2,258,882)	(1,351,489)	3,564,497	<u>\$ 4,915,986</u>
Fund Balances - July 1, 2020	9,499,176	9,499,176	9,499,176	
Fund Balances - June 30, 2021	<u>\$ 7,240,294</u>	<u>\$ 8,147,687</u>	<u>\$ 13,063,673</u>	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RINCON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 207,552	\$ 146,035	\$ 147,828	\$ 143,872
Interest on Total OPEB Liability	99,136	74,312	72,970	64,846
Differences Between Expected and Actual	15,863	749,256		
Changes in Assumptions or Other Inputs	267,338	48,130	(39,358)	
Benefit Payments (Includes Implicit Rate)	<u>(218,590)</u>	<u>(140,502)</u>	<u>(149,999)</u>	<u>(128,003)</u>
Net Changes in Total OPEB Liability	371,299	877,231	31,441	80,715
Total OPEB Liability - Beginning	<u>2,830,031</u>	<u>1,952,800</u>	<u>1,921,359</u>	<u>1,840,644</u>
Total OPEB Liability - Ending	<u>\$ 3,201,330</u>	<u>\$ 2,830,031</u>	<u>\$ 1,952,800</u>	<u>\$ 1,921,359</u>
Covered-employee Payroll	\$ 4,646,190	\$ 4,521,839	\$ 4,400,817	\$ 4,283,034
District's Total OPEB Liability as Percentage of Covered-employee Payroll	68.90%	62.59%	44.37%	44.86%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RINCON VALLEY UNION SCHOOL DISTRICT

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

JUNE 30, 2021

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2021	0.0340%	\$ 32,905,499	\$ 16,962,788	\$ 49,868,287	\$ 18,447,544	178.37%	71.82%
2020	0.0327%	29,552,001	16,122,589	45,674,590	17,636,259	167.56%	72.56%
2019	0.0327%	30,018,188	17,186,817	47,205,005	17,433,091	172.19%	70.99%
2018	0.0333%	30,840,849	18,245,186	49,086,035	17,712,981	174.11%	69.46%
2017	0.0338%	27,346,431	19,186,387	46,532,818	16,951,407	161.32%	70.04%
2016	0.0346%	23,294,680	15,713,475	39,008,155	16,629,167	140.08%	74.02%
2015	0.0334%	19,541,489	14,180,406	33,721,895	14,894,388	131.20%	76.52%

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

RINCON VALLEY UNION SCHOOL DISTRICT

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

JUNE 30, 2021

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2021	0.0563%	\$ 17,283,222	\$ 8,092,181	213.58%	70.00%
2020	0.0544%	15,851,176	7,534,426	210.38%	70.05%
2019	0.0543%	14,486,700	7,166,544	202.14%	70.85%
2018	0.0553%	13,209,393	7,055,696	187.22%	71.87%
2017	0.0566%	11,174,389	6,783,836	164.72%	73.90%
2016	0.0561%	8,270,069	6,211,928	133.13%	79.43%
2015	0.0548%	6,217,049	5,748,855	108.14%	83.38%

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

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2021	\$ 3,089,755	\$ 3,089,755	\$ 0	\$ 19,131,610	16.15%
2020	3,154,530	3,154,530	0	18,447,544	17.10%
2019	2,871,183	2,871,183	0	17,636,259	16.28%
2018	2,515,595	2,515,595	0	17,433,091	14.43%
2017	2,228,293	2,228,293	0	17,712,981	12.58%
2016	1,818,886	1,818,886	0	16,951,407	10.73%
2015	1,476,670	1,476,670	0	16,629,167	8.88%

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

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2021	\$ 1,745,366	\$ 1,745,366	\$ 0	\$ 8,431,720	20.700%
2020	1,595,859	1,595,859	0	8,092,181	19.721%
2019	1,360,868	1,360,868	0	7,534,426	18.062%
2018	1,113,036	1,113,036	0	7,166,544	15.531%
2017	979,895	979,895	0	7,055,696	13.888%
2016	803,681	803,681	0	6,783,836	11.847%
2015	731,206	731,206	0	6,211,928	11.771%

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

Excess of expenditures over appropriations as of June 30, 2021, were as follows:

General Fund	Excess Expenditures
Other Expenditures	\$ 52,519

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

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB 75), the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

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

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

D. Schedule of Contributions

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

B. Benefit Terms

There were no changes to benefit terms since the July 1, 2019 valuation.

C. Changes in Assumptions or Other Inputs

The discount rate changed from 3.50% at June 30, 2019, to 2.20% at June 30, 2020.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

B. Changes in Assumptions

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions for use in the funding actuarial valuations of the defined benefit program. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

There were no changes in assumptions since the previous valuation for CalPERS.

SUPPLEMENTARY INFORMATION SECTION

**RINCON VALLEY UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

ORGANIZATION

The Rincon Valley Union School District was established in 1948. The District is in Santa Rosa, California. There were no changes in District boundaries during the year. The District operates three elementary schools, four elementary conversion charter schools, a dependent seventh and eighth grade charter school, and a special education consortium.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mike Cook	President	November, 2024
Shelby Moeller	Clerk	November, 2022
Jeff Gospe	Member	November, 2022
Cynthia Evers	Member	November, 2022
Janelle Taylor	Member	November, 2024

ADMINISTRATION

Dr. Tracy Smith
Superintendent

Mike Herfurth
Assistant Superintendent
Curriculum and Instruction

Cathy Myhers, M.ED.
Assistant Superintendent
Student Services

Allen K. Watts
Chief Business Official

**RINCON VALLEY UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021**

	<u>Cafeteria</u>	<u>Child Development</u>
<u>Assets</u>		
Deposits and Investments	\$ 158,058	\$ 252,885
Receivables	219,890	
Due from Other Funds	725	
Stores Inventory	4,359	
Total Assets	<u>\$ 383,032</u>	<u>\$ 252,885</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 92,651	\$ 34,957
Due to Other Funds	13,539	215,928
Total Liabilities	<u>106,190</u>	<u>250,885</u>
Fund Balances:		
Nonspendable	4,359	2,000
Restricted	272,483	
Assigned		
Total Fund Balances	<u>276,842</u>	<u>2,000</u>
Total Liabilities and Fund Balances	<u>\$ 383,032</u>	<u>\$ 252,885</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

Charter School	Bond Interest and Redemption	Capital Facilities	County School Facilities	Total Non-Major Governmental Funds
\$ 733,080	\$ 2,609,514	\$ 19,776	\$ 1,414	\$ 3,774,727
456,155				676,045
				725
				4,359
<u>\$ 1,189,235</u>	<u>\$ 2,609,514</u>	<u>\$ 19,776</u>	<u>\$ 1,414</u>	<u>\$ 4,455,856</u>
\$ 102,671				\$ 230,279
476,351				705,818
<u>579,022</u>				<u>936,097</u>
				6,359
141,839	\$ 2,609,514	\$ 19,776	\$ 1,414	3,045,026
468,374				468,374
<u>610,213</u>	<u>2,609,514</u>	<u>19,776</u>	<u>1,414</u>	<u>3,519,759</u>
<u>\$ 1,189,235</u>	<u>\$ 2,609,514</u>	<u>\$ 19,776</u>	<u>\$ 1,414</u>	<u>\$ 4,455,856</u>

**RINCON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Cafeteria	Child Development
<u>Revenues</u>		
LCFF Sources:		
State Apportionment / Transfers		
Federal Revenue	\$ 961,785	
State Revenue	132,512	\$ 121
Local Revenue	63,339	797,732
Total Revenues	1,157,636	797,853
<u>Expenditures</u>		
Current:		
Instruction		
Instructional Library and Technology		
School Site Administration		
Food Services	1,001,596	
Other Pupil Services		
Other General Administration	13,540	
Plant Services		85,819
Facilities Acquisition and Construction		
Community Services		971,183
Debt Service:		
Principal Retirement		
Interest and Issuance Costs		
Total Expenditures	1,015,136	1,057,002
Excess of Revenues Over (Under) Expenditures	142,500	(259,149)
<u>Other Financing Sources</u>		
Operating Transfers In		259,149
Net Change in Fund Balances	142,500	0
Fund Balances - July 1, 2020	134,342	2,000
Fund Balances - June 30, 2021	\$ 276,842	\$ 2,000

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Charter School</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Total Non-Major Governmental Funds</u>
\$ 2,974,201				\$ 2,974,201
159,194				1,120,979
444,965	\$ 23,122			600,720
5,037	3,151,536	\$ 75,571	\$ 1,414	4,094,629
<u>3,583,397</u>	<u>3,174,658</u>	<u>75,571</u>	<u>1,414</u>	<u>8,790,529</u>
2,539,755				2,539,755
29,133				29,133
343,072				343,072
89,185				1,001,596
				89,185
				13,540
65,252				151,071
38,868				38,868
111,751				1,082,934
	1,720,000	195,784		1,915,784
	1,403,312	35,160		1,438,472
<u>3,217,016</u>	<u>3,123,312</u>	<u>230,944</u>	<u>0</u>	<u>8,643,410</u>
366,381	51,346	(155,373)	1,414	147,119
		157,000		416,149
<u>366,381</u>	<u>51,346</u>	<u>1,627</u>	<u>1,414</u>	<u>563,268</u>
243,832	2,558,168	18,149	0	2,956,491
<u>\$ 610,213</u>	<u>\$ 2,609,514</u>	<u>\$ 19,776</u>	<u>\$ 1,414</u>	<u>\$ 3,519,759</u>

RINCON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Grade Level</u>	<u>Minimum School Day</u>	<u>Instructional Days</u>			<u>Number of Instructional Days Required</u>	<u>Status</u>
		<u>Actual Days</u>	<u>J-13A Credited Days</u>	<u>Total Days</u>		
Kindergarten	180 minutes	178	2	180	180	In Compliance
Grade 1	230 minutes	178	2	180	180	In Compliance
Grade 2	230 minutes	178	2	180	180	In Compliance
Grade 3	230 minutes	178	2	180	180	In Compliance
Grade 4	240 minutes	178	2	180	180	In Compliance
Grade 5	240 minutes	178	2	180	180	In Compliance
Grade 6	240 minutes	178	2	180	180	In Compliance

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Grades K-6 Charter Schools - Binkley / Whited / Spring Creek / Matanzas / Village

<u>Grade Level</u>	<u>Minimum School Day</u>	<u>Instructional Days</u>			<u>Number of Instructional Days Required</u>	<u>Status</u>
		<u>Actual Days</u>	<u>J-13A Credited Days</u>	<u>Total Days</u>		
Kindergarten	180 minutes	178	2	180	175	In Compliance
Grade 1	230 minutes	178	2	180	175	In Compliance
Grade 2	230 minutes	178	2	180	175	In Compliance
Grade 3	230 minutes	178	2	180	175	In Compliance
Grade 4	240 minutes	178	2	180	175	In Compliance
Grade 5	240 minutes	178	2	180	175	In Compliance
Grade 6	240 minutes	178	2	180	175	In Compliance

Grades 7-8 Charter School - Rincon Valley

<u>Grade Level</u>	<u>Minimum School Day</u>	<u>Instructional Days</u>			<u>Number of Instructional Days Required</u>	<u>Status</u>
		<u>Actual Days</u>	<u>J-13A Credited Days</u>	<u>Total Days</u>		
Grade 7	240 minutes	178	2	180	175	In Compliance
Grade 8	240 minutes	178	2	180	175	In Compliance

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 564,907
School Basic Breakfast	10.553	13525		34,665
School Needy Breakfast	10.553	13526		300,713
USDA Food Commodities	10.555	*		61,501
Subtotal Child Nutrition Cluster				<u>961,786</u>
Total U.S. Department of Agriculture				<u>961,786</u>
U.S. Department of Treasury:				
Passed Through CDE:				
Covid-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516		1,568,759
Total U.S. Department of Treasury:				<u>1,568,759</u>
U.S. Department of Education:				
Passed Through CDE:				
Title I Part A Basic Grant Low-Income & Neglected	84.010	14329		157,701
Title II Part A Supporting Effective Instruction	84.367	14341		37,119
Title III English Learner Student Program	84.365	14346		41,485
Title III Immigrant Student Program	84.365	15146		1,711
Title IV Part A Student Support & Academic Enrichment	84.424	15396		1,150
<i>Education Stabilization Fund Programs: (Covid-19)</i>				
Elementary & Secondary School Emergency Relief I	84.425	15536		189,453
Elementary & Secondary School Emergency Relief II	84.425D	15547		644,538
Governor's Emergency Education Relief Fund: Learning Loss	84.425C	15517		257,605
Subtotal Education Stabilization Fund Programs (Covid-19)				<u>1,091,596</u>
Passed Through Sonoma County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		624,944
IDEA Part B Preschool Grants	84.173	13430		28,938
Subtotal Special Education Cluster				<u>653,882</u>
Total U.S. Department of Education				<u>1,984,644</u>
U.S. Department of Health and Human Services:				
<i>Medicaid Cluster:</i>				
Passed Through Sonoma County SELPA:				
Medi-Cal Billing Option	93.778	10013		72,795
Passed Through Sonoma County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		78,008
Subtotal Medicaid Cluster				<u>150,803</u>
Total U.S. Department of Health and Human Services				<u>150,803</u>
Totals			<u>\$ 0</u>	<u>\$ 4,665,992</u>

* Pass-Through Identification Number is not available or not applicable

SEE NOTES TO SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Cafeteria Fund
June 30, 2021 Annual Financial and Budget Report Fund Balance	\$ 56,952
Adjustments Increasing Fund Balance:	
Understatement of National School Lunch Revenue	133,437
Understatement of School Basic Breakfast Revenue	9,257
Understatement of School Needy Breakfast Revenue	60,401
Understatement of State Child Nutrition Revenue	16,795
Total Adjustments	219,890
June 30, 2021 Audited Financial Statement Fund Balance	\$ 276,842

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2021.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	GENERAL FUND			
	(Budget) 2021-22	2020-21	2019-20	2018-19
Revenues and Other Financial Sources	\$ 44,822,460	\$ 44,926,595	\$ 41,774,835	\$ 42,412,254
Expenditures	39,617,461	40,945,949	40,217,613	40,328,763
Other Uses and Transfers Out	4,259,663	416,149	2,137,183	3,000,000
Total Outgo	43,877,124	41,362,098	42,354,796	43,328,763
Change in Fund Balance	945,336	3,564,497	(579,961)	(916,509)
Ending Fund Balance	\$ 14,009,009	\$ 13,063,673	\$ 9,499,176	\$ 10,079,137
Available Reserves	\$ 12,125,543	\$ 11,290,029	\$ 8,441,829	\$ 7,187,779
Reserve for Economic Uncertainties *	\$ 11,707,898	\$ 10,871,687	\$ 8,211,827	\$ 7,187,779
Available Reserves as a Percentage of Total Outgo	27.6%	27.3%	19.9%	16.6%
Average Daily Attendance at P-2 ** (Excludes ADA of Rincon Valley Charter School)	2,537	N/A	2,794	2,818
Total Long-Term Liabilities	\$ 105,057,637	\$ 107,371,125	\$ 103,647,140	\$ 103,550,125

* Reported balances are a component of available reserves.

** Includes ADA of all charter schools reported as part of the General Fund.

The fund balance of the General Fund increased \$2,984,536 (29.6%) over the past two years. The fiscal year 2021-22 budget projects an increase of \$945,336 (7.2%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred operating deficits of, \$916,509 and \$579,961, during fiscal years 2018-19 and 2019-20, respectively, and produced an operating surplus of 3,564,497 during fiscal year 2020-21.

The District was not required to report average daily attendance (ADA) in fiscal year 2020-21. The District projects 2,537 ADA in fiscal year 2021-22.

Total long-term liabilities increased \$3,821,000 over the past two years, due primarily to an increase in the District's proportionate share of the net pension liabilities.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
MEASURE B PARCEL TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Current Fiscal Year
<u>Revenues</u>	
Parcel Tax Proceeds	\$ 1,277,180
<u>Expenditures</u>	
Salaries and Benefits	839,687
Books and Supplies	34,975
Services and Other Operating Expenditures	9,219
Total Expenditures	883,881
Net Change in Fund Balance	393,299
Fund Balance - Beginning	54,800
Fund Balance - Ending	\$ 448,099

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Charter School</u>	<u>Charter Number</u>	<u>District Audit</u>
Binkley Charter School	1258	Included
Spring Creek / Matanzas Charter School	1105	Included
Village Charter School	1257	Included
Whited Charter School	1259	Included
Rincon Valley Charter School	0525	Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Instructional Time

This schedule presents information on the total number of instructional days offered that meet the minimum school day length requirements in accordance with Education Code Sections 43501 and 43502(c) and whether the District complied with the instructional days per school year standards set forth in Education Code Section 46208.

C. Schedule of Instructional Time - Charter School

This schedule presents information on the total number of instructional days offered by the District's charter schools that meet the minimum school day length requirements in accordance with Education Code Sections 43501 and 43502(c) and whether the District's charter schools complied with the instructional days per school year standards set forth in Section 11960 of Title 5 of the California Code of Regulations.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has elected to not use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Expenditures of Federal Awards (Concluded)

Reconciliation of Federal Revenues to the Schedule of Expenditures of Federal Awards

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances, and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts consists of timing differences between when Federal program funds are recorded as revenues and when they are recorded as expenditures.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 4,593,197
Plus: Prior year Medi-Cal Billing Option revenue expended in the current fiscal year	93.778	<u>72,795</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 4,665,992</u>

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

F. Schedule of Financial Trends and Analysis

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

G. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Measure B Parcel Tax

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure B parcel tax. In accordance with the ballot measure, proceeds from the parcel tax are used to enhance computer and technology education, increase library hours, expand classroom music, preserve band programs, create science labs, provide additional help to children who excel and those who struggle with math and reading.

H. Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and identifies their number, and whether or not the charter schools were included or excluded from the audit of the District.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rincon Valley Union School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness, as noted in **Finding 2021 - 001**.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

March 7, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited the Rincon Valley Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rincon Valley Union School District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rincon Valley Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Rincon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

March 7, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

Report on State Compliance

We have audited Rincon Valley Union School District's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Rincon Valley Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Rincon Valley Union School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study-Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, Rincon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2020-21 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 Questioned Costs, as noted in **Finding 2021 - 001**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

March 7, 2022

FINDINGS AND QUESTIONED COSTS SECTION

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs:

CFDA Numbers	Federal Programs
21.019	Corona Virus Relief: Learning Loss Mitigation (Covid-19)
84.425 / 84.425D / 84.425C	Education Stabilization Fund Programs (Covid-19)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

	<u> </u>	Yes	<u> X </u>	No
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State Awards

Any audit findings required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*?

	<u> X </u>	Yes	<u> </u>	No
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Type of auditor's report issued on compliance for state programs: Unmodified

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021 - 001 / 30000 (REPEAT COMMENT)

MATERIAL WEAKNESS

FINANCIAL REPORTING – REVENUES

Criteria: Each year, school districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the “Unaudited Actuals” financial report. Therefore, school districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatements.

Condition: The current system of internal control does not require staff to reconcile the total child nutrition program revenues that are reported in the “Unaudited Actuals” financial report, to the sum of the monthly state and federal child nutrition meal reimbursements. As a result, the District did not detect that it had failed to accrue revenues related to the May 2021 and June 2021 child nutrition meal reimbursement claims.

Questioned Costs: None. However, reported revenues were understated by \$219,890.

Context: This is a repeat comment first reported in the prior year audit report. The condition appears to be limited to the Cafeteria Fund.

Effect: The amount of child nutrition program revenues reported in the “Unaudited Actuals” financial report was materially understated. The adjustment that was made to ensure that the financial statements are fairly stated is presented on page 71.

Cause: The District did not have appropriate procedures in place to ensure that the information contained in the “Unaudited Actuals” financial report is free of material misstatements.

Recommendation: The District should establish appropriate procedures to ensure that the information contained in the “Unaudited Actuals” financial report is free of material misstatements.

District Response: The District will compare projected child nutrition revenues to actual recorded revenues and investigate any significant variances to ensure that the reported revenues are accurate and complete.

**RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2021.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2021 - 002 / 61000

CLASSROOM TEACHER SALARIES

- Criteria:** In accordance with Education Code Section 41372, the payment of salaries of classroom teachers by an elementary school district shall be 60% of the district's current expense of education.
- Condition:** During fiscal year 2020-21, the District's current expense of education after adjustments was \$31,592,493 and the percentage of current cost of education expended for classroom compensation was 59.93%.
- Questioned Costs:** \$22,115. (The current year expense of education multiplied by the percentage shortfall)
- Context:** The amount expended on salaries of classroom teachers fell short of the requirement specified for elementary school districts by .07%.
- Effect:** The District did not comply with Education Code Section 41372.
- Cause:** The minimum classroom compensation requirements were not complied with during the current year, even though the payment of classroom teacher salaries for the District are in excess of those paid by other comparable school districts.
- Recommendation:** The District should establish appropriate procedures to ensure they comply with the requirements of Education Code Section 41372 in the future.
- District Response:** The Rincon Valley Union School District has settled with the Teachers Unions in 2021/22 (4%) and 2022/23 (4%) to ensure that we are reaching the 60% minimum requirement in the future. In addition, on October 12, 2021, the County Superintendent of Sonoma County Office of Education approved the District's request for an exemption of the requirements of Education Code Section 41372, based on the fact that the District's payment of classroom teacher salaries are in excess of those paid by other comparable school districts.

**RINCON VALLEY UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2020 - 001 / 30000		
<u>FINANCIAL REPORTING - REVENUES</u>		
The District should establish procedures to ensure that the information contained in the "Unaudited Actuals" financial report is free of material misstatements.	Not Implemented	Comment Repeated (see Finding 2021 - 001)
2020 - 002 / 30000		
<u>DEFICIT SPENDING</u>		
The District should take appropriate action to reduce program spending down to a level that can be supported by the amount of revenue received by the District.	Implemented	

