

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

**AUDIT REPORT**

**JUNE 30, 2018**

# RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2018

---

## 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	57
Schedule of Changes in Total OPEB Liability and Related Ratios	58
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	59
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	60
Schedule of Contributions - CalSTRS	61
Schedule of Contributions - CalPERS	62
Notes to Required Supplementary Information	63

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2018

---

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Trustees/Administration	65
Combining Statements - Non-Major Funds:	
Combining Balance Sheet - Non-Major Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	68
Schedule of Average Daily Attendance	70
Schedule of Average Daily Attendance - Charter School	71
Schedule of Instructional Time	72
Schedule of Instructional Time - Charter School	73
Schedule of Expenditures of Federal Awards	74
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	75
Schedule of Financial Trends and Analysis	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Measure B Parcel Tax	77
Schedule of Charter Schools	78
Notes to Supplementary Information	79
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	81
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>	85
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	87

**RINCON VALLEY UNION SCHOOL DISTRICT**

**JUNE 30, 2018**

---

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	89
Section II - Financial Statement Findings	90
Section III - Federal Award Findings and Questioned Costs	93
Section IV - State Award Findings and Questioned Costs	94
Status of Prior Year Recommendations	99

## 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### Emphasis of Matter

As described in Note 1B to the financial statements, in fiscal year 2017-18, the District adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison information on page 57, schedule of changes in total OPEB liability and related ratios on page 58, schedules of the proportionate share of the net pension liabilities on pages 59 and 60, and schedules of contributions on pages 61 and 62 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.

Other Matters (Concluded)

*Other Information (Concluded)*

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.

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 January 15, 2019 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

January 15, 2019



**RINCON VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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, 2018. 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**

- During fiscal year 2017-18, the District implemented Governmental Accounting Standard Board Statement No. 75 (GASB 75), which changed the financial reporting for other post employment benefits (OPEB). The new standard requires the District to report the total OPEB liability on the Statement of Net Position.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$893,219.
- Net capital assets increased \$13,010,323 due to the current year addition of \$15,120,826 of new capital assets and improvements, and the current year recognition of \$2,110,503 of depreciation expense.
- Total long-term liabilities increased \$21,449,890 due primarily to the \$17,000,000 issuance of general obligation bonds and \$5,529,422 increase in net pension liabilities.
- The District's average daily attendance (ADA) decreased from 3,070 ADA in fiscal year 2016-17, down to 2,980 ADA in fiscal year 2017-18, a decrease of 90 ADA or 3%. (General Fund ADA Only)
- The General Fund incurred an operating deficit of \$532,101 during fiscal year 2017-18.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, total General Fund expenditures and other financing uses totaled \$40,865,104. At June 30, 2018, the District had available reserves of \$6,918,095 in the General Fund which represents a reserve of 16.9%.

**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.

**RINCON VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

---

**THE FINANCIAL REPORT (CONTINUED)**

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

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.

***Governmental Activities:***

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.

***Governmental Funds:***

The major governmental funds of the Rincon Valley Union School District are the General Fund, Building 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.

**RINCON VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

**THE FINANCIAL REPORT (CONCLUDED)**

**Reporting the District's Most Significant Funds (Concluded)**

*Governmental Funds (Concluded):*

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.

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

The District's net position increased \$893,219 during fiscal year 2017-18. The unrestricted deficit balance is due to the requirement for the District to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities.

<b><u>Comparative Statement of Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
<b><u>Assets</u></b>		
Deposits and Investments	\$ 27,519,510	\$ 36,013,398
Receivables	2,521,836	3,519,228
Stores Inventories	7,652	7,651
Prepaid Expenses	19,625	25,124
Capital Assets, net	50,363,542	63,373,865
Total Assets	80,432,165	102,939,266
<b><u>Deferred Outflows of Resources</u></b>		
OPEB Deferrals *	128,003	135,673
Pension Deferrals	8,642,203	12,979,213
Bond Refunding	1,017,147	931,792
Total Deferred Outflows of Resources *	9,787,353	14,046,678
<b><u>Liabilities</u></b>		
Current	8,934,148	12,762,511
Long-term *	81,153,664	102,364,418
Total Liabilities *	90,087,812	115,126,929
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals	1,507,774	2,341,864
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	15,777,525	19,645,435
Restricted (Deficit)	(158,388)	(797,367)
Unrestricted (Deficit) *	(16,995,205)	(19,330,917)
Total Net Position (Deficit) *	\$ (1,376,068)	\$ (482,849)
* The amounts presented for fiscal year 2016-17 have been adjusted to reflect the restatement discussed in Note 18.		
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, 2018**

(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 \$893,219.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	Governmental Activities	
	2017	2018
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 2,980,968	\$ 3,434,788
Operating Grants & Contributions	5,745,105	5,307,841
<b><u>General Revenues</u></b>		
Taxes Levied	21,384,647	22,257,888
Federal & State Aid	16,202,402	15,215,978
Interest & Investment Earnings	291,080	383,278
Transfers from Other Agencies	1,141,695	225,296
Miscellaneous	2,112,647	4,141,807
<b>Total Revenues</b>	<b>49,858,544</b>	<b>50,966,876</b>
<b><u>Expenses</u></b>		
Instruction	29,084,613	28,102,450
Instruction-Related Services	5,230,015	4,864,051
Pupil Services	5,484,657	5,801,923
General Administration	1,871,967	1,865,903
Plant Services	4,094,943	6,388,768
Community Services	952,661	1,046,232
Interest on Long-Term Debt	1,569,487	1,749,114
Other Expenses	100,352	255,216
<b>Total Expenses</b>	<b>48,388,695</b>	<b>50,073,657</b>
<b>Changes in Net Position</b>	<b>\$ 1,469,849</b>	<b>\$ 893,219</b>
<i>Table includes financial data of the combined governmental funds.</i>		

**RINCON VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

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

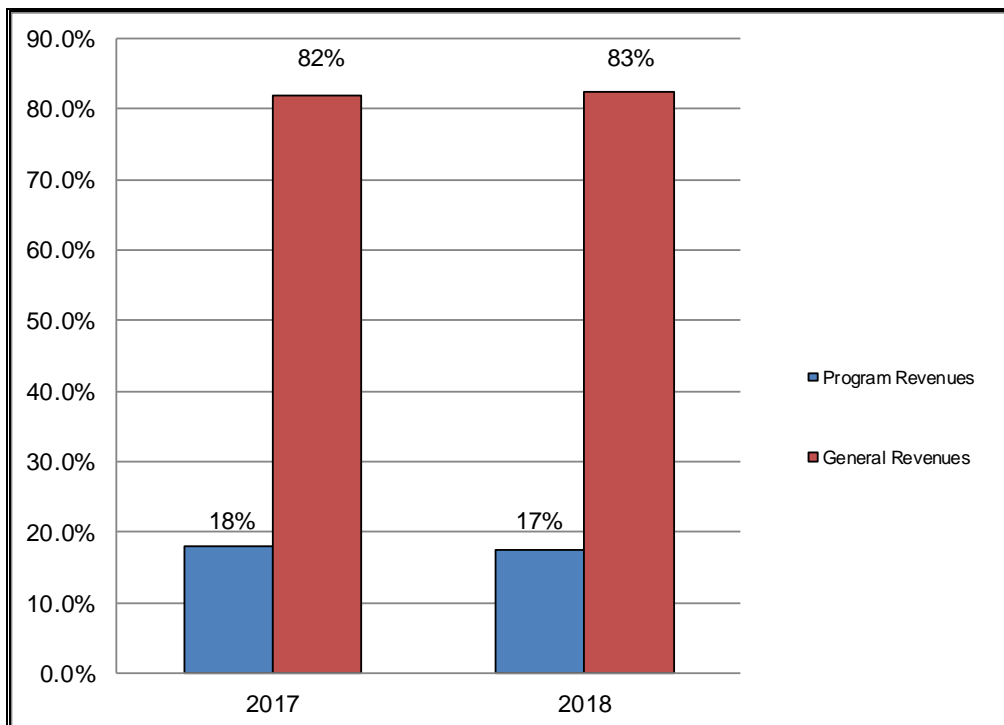
The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$41,331,028 cost shows the financial burden that was placed on the District's general revenues for providing the services listed below.

**Comparative Schedule of Costs of Services**

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	\$ 29,084,613	\$ 28,102,450	\$ 24,750,654	\$ 23,347,165
Instruction-Related Services	5,230,015	4,864,051	4,589,526	4,383,362
Pupil Services	5,484,657	5,801,923	2,727,024	2,870,812
General Administration	1,871,967	1,865,903	1,573,031	1,492,509
Plant Services	4,094,943	6,388,768	3,451,096	6,241,985
Other Expenses	2,622,500	3,050,562	2,571,291	2,995,195
Totals	<u>\$ 48,388,695</u>	<u>\$ 50,073,657</u>	<u>\$ 39,662,622</u>	<u>\$ 41,331,028</u>

*Table includes financial data of the combined governmental funds*

For fiscal year 2017-18, program revenues financed 17% of the total cost of providing the services listed above, while the remaining 83% 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, 2018**

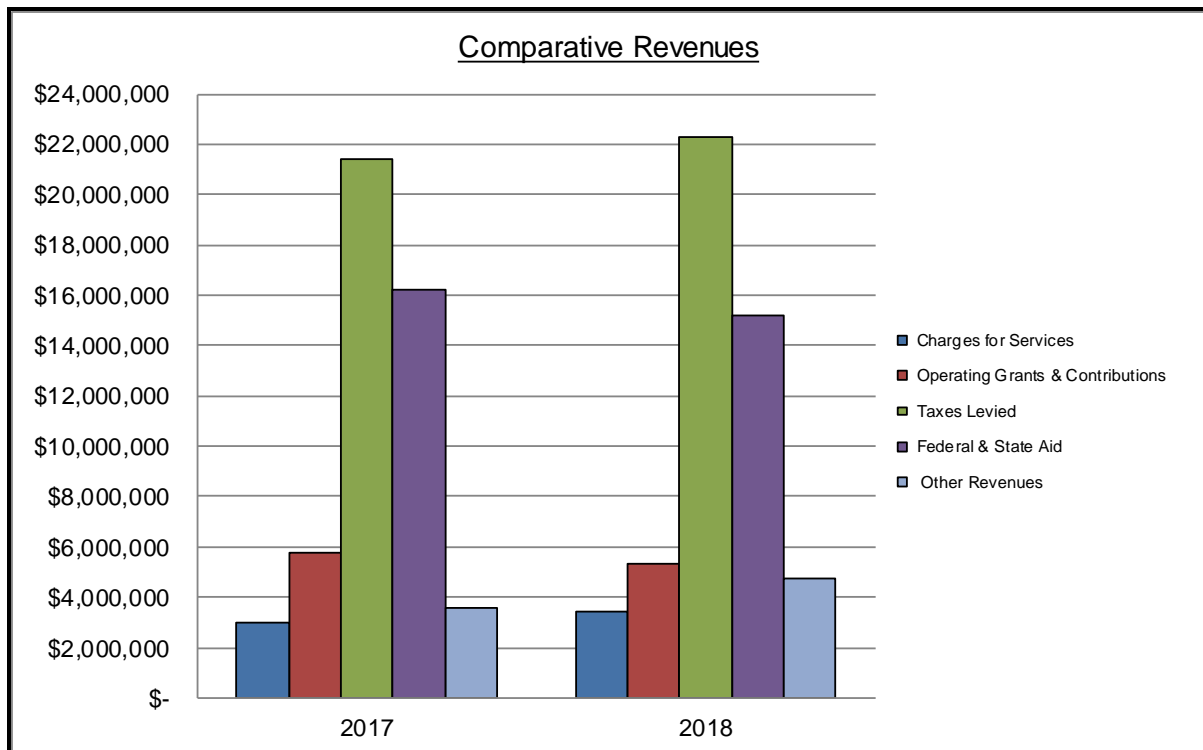
(PREPARED BY DISTRICT MANAGEMENT)

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

**Summary of Revenues For Governmental Functions**

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 2,980,968	5.98%	\$ 3,434,788	6.74%
Operating Grants & Contributions	5,745,105	11.52%	5,307,841	10.41%
<b><u>General Revenues</u></b>				
Taxes Levied	21,384,647	42.89%	22,257,888	43.67%
Federal & State Aid	16,202,402	32.50%	15,215,978	29.85%
Other Revenues	3,545,422	7.11%	4,750,381	9.32%
<b>Total Revenues</b>	<b><u>\$ 49,858,544</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 50,966,876</u></b>	<b><u>100.00%</u></b>

*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, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

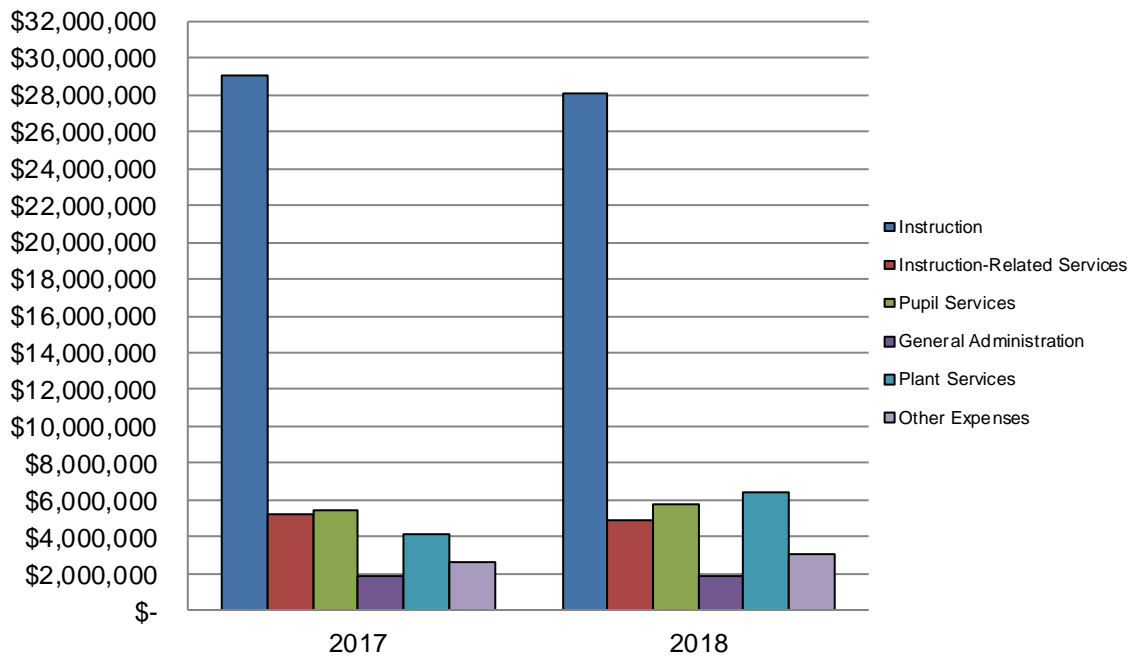
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Summary of Expenses For Governmental Functions**

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 29,084,613	60.11%	\$ 28,102,450	56.12%
Instruction-Related Services	5,230,015	10.81%	4,864,051	9.71%
Pupil Services	5,484,657	11.33%	5,801,923	11.59%
General Administration	1,871,967	3.87%	1,865,903	3.73%
Plant Services	4,094,943	8.46%	6,388,768	12.76%
Other Expenses	2,622,500	5.42%	3,050,562	6.09%
Total Expenses	<u>\$ 48,388,695</u>	<u>100.00%</u>	<u>\$ 50,073,657</u>	<u>100.00%</u>

*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, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

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

**Comparative Schedule of Capital Assets**

	Governmental Activities	
	2017	2018
Land	\$ 1,122,383	\$ 4,260,520
Sites and Improvements	2,997,557	4,012,712
Buildings and Improvements	53,007,361	53,409,215
Furniture and Equipment	3,012,001	3,294,505
Construction-in-Progress	11,810,203	22,093,379
Subtotals	71,949,505	87,070,331
Less: Accumulated Depreciation	(21,585,963)	(23,696,466)
Capital Assets, net	<u>\$ 50,363,542</u>	<u>\$ 63,373,865</u>

Net capital assets increased \$13,010,323 due to the current year addition of \$15,120,826 of new capital assets and improvements, and the current year recognition of \$2,110,503 of depreciation expense.

**Comparative Schedule of Long-Term Liabilities**

	Governmental Activities	
	2017	2018
Compensated Absences	\$ 169,816	\$ 163,181
General Obligation Bonds	39,978,894	55,353,621
Bond Premium	579,121	1,236,920
Capital Lease	2,581,548	2,395,410
Total OPEB Liability *	1,840,644	1,921,359
Net Pension Liabilities	38,520,820	44,050,242
Totals *	<u>\$ 83,670,843</u>	<u>\$ 105,120,733</u>

\* The amounts presented for fiscal year 2016-17 have been adjusted to reflect the restatement described in Note 18.

The general obligation bonds are financed by the local taxpayers and represent 53% of the long-term liabilities. The capital lease is financed by developer fees, and represents 2% of the District's long-term liabilities. Net pension liabilities represent 42% 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, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

---

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The fund balance of the General Fund decreased \$532,101 during fiscal year 2017-18, while the combined fund balances of the other District governmental funds increased \$6,649,802, due primarily to bond proceeds received from the issuance of new general obligation bonds in the Building Fund of \$17,000,000 of which \$6,362,375 was unspent at June 30, 2018.

**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**

Rincon Valley Union School District's largest source of regular funding is the Local Control Funding Formula (LCFF). The amount of LCFF is calculated by multiplying the District's Average Daily Attendance by a state determined amount per ADA, which is a percentage of enrollment. This per ADA is modified for District demographics, which include the District's free lunch count and English learner population.

A 2017 demographic study projected the District's ADA would decrease for a few years followed by a gradual increase, which has been the District's historic norm. However, over the last several years the District has seen a steady decrease in enrollment, and based on the current year's transitional kindergarten enrollment, the continued decrease seems likely, which naturally causes the ADA to decline. Declining enrollment is arguably the largest negative impact on a school district's budget. The challenge that any District faces with declining enrollment is that expenses generally cannot be reduced in proportion to the decline in revenues. Therefore, the District will need careful planning on how to make budget reductions without negatively impacting students and also enter into any settlement agreements with associations with great caution.

Under Governor Jerry Brown's administration, the decision was made to burden local school districts with increased pension obligations to fund most of the accumulated unfunded pension liabilities in both the State Teachers Retirement System (STRS) and the Public Employees Retirement System (PERS). This change is pressuring virtually all California school districts' budgets and Rincon Valley Union School District is no exception. Given this dynamic, the District needs to be extremely cautious with staffing and when offering compensation increases to avoid unsustainable employee costs. The District will be carefully watching for any proposed changes to the funding of these liabilities.

**RINCON VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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 Deputy Superintendent, Business, Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California, 95405.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
<hr/>	
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 36,013,398
Receivables (Note 3)	3,519,228
Stores Inventory (Note 11)	7,651
Prepaid Expenses (Note 11)	25,124
Capital Assets, Not Depreciated (Note 5)	26,353,899
Capital Assets, Net of Accumulated Depreciation	37,019,966
Total Assets	<hr/> 102,939,266 <hr/>
 <b><u>Deferred Outflows of Resources</u></b>	
OPEB Deferrals (Note 9)	135,673
Pension Deferrals (Note 10)	12,979,213
Bond Refunding (Note 11)	931,792
Total Deferred Outflows of Resources	<hr/> 14,046,678 <hr/>
 <b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	9,374,811
Accrued Interest Payable	608,903
Unearned Revenue (Note 11)	22,482
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 11)	163,181
General Obligation Bonds (Note 6)	
Current Interest	2,125,000
Capital Appreciation	220,000
Bond Premium (Note 11)	58,668
Capital Lease (Note 7)	189,466
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	43,405,000
Capital Appreciation	9,603,621
Bond Premium (Note 11)	1,178,252
Capital Lease (Note 7)	2,205,944
Total OPEB Liability (Note 9)	1,921,359
Net Pension Liabilities (Note 10)	44,050,242
Total Liabilities	<hr/> 115,126,929 <hr/>
 <b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 10)	<hr/> 2,341,864 <hr/>
 <b><u>Net Position</u></b>	
Net Investment in Capital Assets	19,645,435
Restricted:	
For Capital Projects	146,332
For Debt Service (Deficit)	(2,082,875)
For Educational Programs	924,308
For Other Purposes	214,868
Unrestricted (Deficit)	(19,330,917)
Total Net Position (Deficit)	<hr/> \$ (482,849) <hr/>

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, 2018**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Governmental Activities</u></b>					
Instruction	\$ 28,102,450	\$ 1,289,318	\$ 3,465,967		\$ (23,347,165)
Instruction-Related Services:					
Supervision of Instruction	462,524	1,886	64,165		(396,473)
Instructional Library and Technology	779,958		2,863		(777,095)
School Site Administration	3,621,569	227,269	184,506		(3,209,794)
Pupil Services:					
Home-to-School Transportation	651,638	759	8		(650,871)
Food Services	1,194,829	340,162	789,116		(65,551)
Other Pupil Services	3,955,456	1,221,940	579,126		(2,154,390)
General Administration:					
Other General Administration	1,865,903	264,502	108,892		(1,492,509)
Plant Services	6,388,768	45,896	100,887		(6,241,985)
Ancillary Services	87,838	43,056	12,311		(32,471)
Community Services	1,046,232				(1,046,232)
Interest on Long-Term Debt	1,749,114				(1,749,114)
Other Outgo	167,378				(167,378)
Total Governmental Activities	<u>\$ 50,073,657</u>	<u>\$ 3,434,788</u>	<u>\$ 5,307,841</u>	<u>\$ 0</u>	<u>(41,331,028)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					17,823,628
Taxes Levied for Debt Service					3,250,111
Taxes Levied for Specific Purposes					1,184,149
Federal and State Aid - Unrestricted					15,215,978
Interest and Investment Earnings					383,278
Transfers from Other Agencies					225,296
Miscellaneous					4,141,807
Total General Revenues					<u>42,224,247</u>
Change in Net Position					893,219
Net Position (Deficit) - July 1, 2017 (As Restated - Note 18)					<u>(1,376,068)</u>
Net Position (Deficit) - June 30, 2018					\$ (482,849)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General</b>	<b>Building</b>	<b>Capital Projects - Special Reserve</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 14,614,039	\$ 14,419,357	\$ 2,511,976	\$ 4,468,026	\$ 36,013,398
Receivables (Note 3)	3,077,921		40,595	400,712	3,519,228
Due from Other Funds (Note 4)	514,214		3,365,883		3,880,097
Stores Inventory (Note 11)	3,292			4,359	7,651
Prepaid Expenditures (Note 11)	25,124				25,124
Total Assets	<u>\$ 18,234,590</u>	<u>\$ 14,419,357</u>	<u>\$ 5,918,454</u>	<u>\$ 4,873,097</u>	<u>\$ 43,445,498</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 3,873,061	\$ 4,995,645	\$ 402,115	\$ 103,990	\$ 9,374,811
Due to Other Funds (Note 4)	3,365,883			514,214	3,880,097
Unearned Revenue (Note 11)				22,482	22,482
Total Liabilities	<u>7,238,944</u>	<u>4,995,645</u>	<u>402,115</u>	<u>640,686</u>	<u>13,277,390</u>
Fund Balances: (Note 12)					
Nonspendable	35,666			6,359	42,025
Restricted	871,511	9,423,712		3,800,017	14,095,240
Assigned	3,170,374		5,516,339	426,035	9,112,748
Unassigned	6,918,095				6,918,095
Total Fund Balances	<u>10,995,646</u>	<u>9,423,712</u>	<u>5,516,339</u>	<u>4,232,411</u>	<u>30,168,108</u>
Total Liabilities and Fund Balances	<u>\$ 18,234,590</u>	<u>\$ 14,419,357</u>	<u>\$ 5,918,454</u>	<u>\$ 4,873,097</u>	<u>\$ 43,445,498</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, 2018**

---

**Total Fund Balances - Governmental Funds** \$ 30,168,108

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	\$ 87,070,331	
Accumulated Depreciation	(23,696,466)	
Net		63,373,865

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: 135,673

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: 10,637,349

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: 931,792

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	163,181	
General Obligation Bonds	55,353,621	
Bond Premium	1,236,920	
Capital Lease	2,395,410	
Total OPEB Liability	1,921,359	
Net Pension Liabilities	44,050,242	
Total		(105,120,733)

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 unmaturred interest owed at the end of the period was: (608,903)

**Total Net Position (Deficit) - Governmental Activities** **\$ (482,849)**

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 13,148,273			\$ 2,480,761	\$ 15,629,034
Local Taxes	16,151,460				16,151,460
Total LCFF Sources	29,299,733			2,480,761	31,780,494
Federal Revenue	1,269,976			744,403	2,014,379
State Revenue	2,785,525			345,592	3,131,117
Local Revenue	6,973,814	\$ 1,573,613	\$ 501,544	4,991,915	14,040,886
Total Revenues	40,329,048	1,573,613	501,544	8,562,671	50,966,876
<b><u>Expenditures</u></b>					
Current:					
Instruction	23,189,311			2,002,321	25,191,632
Supervision of Instruction	421,497				421,497
Instructional Library and Technology	707,600			36,101	743,701
School Site Administration	2,846,263			440,322	3,286,585
Home-To-School Transportation	678,469				678,469
Food Services				1,143,022	1,143,022
Other Pupil Services	3,494,744			70,288	3,565,032
Other General Administration	1,715,803			38,359	1,754,162
Plant Services	3,888,780	1,235,461	732,589	332,715	6,189,545
Facilities Acquisition and Construction	565,927	10,814,452	3,589,706		14,970,085
Ancillary Services	84,383				84,383
Community Services				1,046,463	1,046,463
Other Outgo	6,053				6,053
Debt Service:					
Principal Retirement				2,321,138	2,321,138
Interest and Issuance Costs		161,325		980,921	1,142,246
Total Expenditures	37,598,830	12,211,238	4,322,295	8,411,650	62,544,013
Excess of Revenues Over (Under) Expenditures	2,730,218	(10,637,625)	(3,820,751)	151,021	(11,577,137)
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In	3,955		3,266,274		3,270,229
Operating Transfers Out	(3,266,274)			(3,955)	(3,270,229)
Other Sources		17,000,000		694,838	17,694,838
Total Other Financing Sources (Uses)	(3,262,319)	17,000,000	3,266,274	690,883	17,694,838
Net Change in Fund Balances	(532,101)	6,362,375	(554,477)	841,904	6,117,701
Fund Balances - July 1, 2017	11,527,747	3,061,337	6,070,816	3,390,507	24,050,407
Fund Balances - June 30, 2018	\$ 10,995,646	\$ 9,423,712	\$ 5,516,339	\$ 4,232,411	\$ 30,168,108

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, 2018**

**Net Change in Fund Balances - Governmental Funds**

\$ 6,117,701

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	\$ 15,120,826	
Depreciation Expense	(2,110,503)	
Net		13,010,323

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums, were:

(17,000,000)

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:

(85,355)

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:

(657,799)

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:

6,635

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:

(73,045)

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:

(2,026,502)

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:

2,321,138

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:

(210,150)

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:

(509,727)

**Change in Net Position of Governmental Activities**

\$ 893,219

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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.

**B. Implementation of New Accounting Pronouncements**

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the fiscal year ended June 30, 2018.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**B. Implementation of New Accounting Pronouncements (Concluded)**

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The effect on beginning net position that resulted from the implementation of GASB 75 is presented in Note 18.

**C. 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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**C. Basis of Presentation (Concluded)**

**Government-wide Financial Statements (Concluded):**

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.

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.

**D. 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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**D. Basis of Accounting (Concluded)**

**Revenues - Exchange and Non-exchange Transactions (Concluded):**

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

**Unearned Revenue:**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as 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.

**E. 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:

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**E. Fund Accounting (Concluded)**

*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.

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

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

**Major Governmental Funds:**

*General Fund* is the general operating fund of the District.

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

*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).

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**F. 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 57.

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.

**G. 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.

**H. 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.

**I. 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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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

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

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

**2. Stores Inventory 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

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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

**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.

**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.



**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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

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 current period. 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.

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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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

**10. Fund Balances (Concluded)**

*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.

**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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local 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, 2018, consist of the following:

Cash on Hand and in Banks	\$ 3,750
Cash in Revolving Fund	9,250
Cash with Fiscal Agent	859,010
County Pool Investments	<u>35,141,388</u>
Total	<u><u>\$ 36,013,398</u></u>

Cash on Hand and in Banks

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

Cash in Revolving 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.

Cash with Fiscal Agent

Cash with fiscal agent consists of construction retentions held in an escrow account maintained at a commercial bank that will be released to the contractor upon the successful completion of the related projects.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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

**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 County pool.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

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	\$ 35,141,388	\$ 34,856,743	533

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, 2018, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

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

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

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**Fair Value Measurements (Concluded)**

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, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 34,856,743</u>	<u>\$ 34,856,743</u>

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

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2018 consist of the following:

	<u>General Fund</u>	<u>Capital Projects - Special Reserve Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 671,112		\$ 175,296	\$ 846,408
State Government	1,704,116		200,027	1,904,143
Local Governments	644,982			644,982
Miscellaneous	57,711	\$ 40,595	25,389	123,695
Totals	<u>\$ 3,077,921</u>	<u>\$ 40,595</u>	<u>\$ 400,712</u>	<u>\$ 3,519,228</u>

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 To/Due From Other Funds**

Balances at June 30, 2018 consisted of the following:

Charter School Fund due to General Fund for the charter's portion of special education related costs	\$ 408,323
General Fund due to Capital Projects - Special Reserve Fund for current and future capital related projects	3,365,883
Cafeteria Fund due to General Fund for indirect costs	18,282
Child Development Fund due to General Fund for rent for the daycare and home study programs	<u>87,609</u>
Total	<u><u>\$ 3,880,097</u></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 2017-18 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,955	\$ 3,266,274
Charter School		3,955
Capital Projects - Special Reserve	<u>3,266,274</u>	
Totals	<u><u>\$ 3,270,229</u></u>	<u><u>\$ 3,270,229</u></u>

Transfer of \$3,266,274 from the General Fund to the Capital Projects - Special Reserve Fund to provide funding for current and future capital related projects throughout the District.

Transfer of \$3,955 from the Charter School Fund to the General Fund for indirect costs.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 1,122,383	\$ 3,138,137		\$ 4,260,520
Construction-in-Progress	11,810,203	14,863,791	\$ 4,580,615	22,093,379
Total Capital Assets Not Being Depreciated	12,932,586	18,001,928	4,580,615	26,353,899
Capital Assets Being Depreciated:				
Sites and Improvements	2,997,557	1,015,155		4,012,712
Buildings and Improvements	53,007,361	401,854		53,409,215
Furniture and Equipment	3,012,001	282,504		3,294,505
Total Capital Assets Being Depreciated	59,016,919	1,699,513	0	60,716,432
Less Accumulated Depreciation:				
Sites and Improvements	1,261,256	178,916		1,440,172
Buildings and Improvements	19,134,404	1,583,439		20,717,843
Furniture and Equipment	1,190,303	348,148		1,538,451
Total Accumulated Depreciation	21,585,963	2,110,503	0	23,696,466
Total Capital Assets Being Depreciated, Net	37,430,956	(410,990)	0	37,019,966
Governmental Activities Capital Assets, Net	<u>\$ 50,363,542</u>	<u>\$ 17,590,938</u>	<u>\$ 4,580,615</u>	<u>\$ 63,373,865</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,261,302
Instruction-Related Services	218,309
Pupil Services	260,404
General Administration	83,746
Plant Services	286,742
Total	<u>\$ 2,110,503</u>

**NOTE 6 - GENERAL OBLIGATION BONDS**

On the June 3, 2014, special election, the registered voters of the District approved Measure F, which authorizes the District to issue up to \$35,000,000 in general obligation bonds to repair, upgrade, acquire, construct, and equip certain District property and facilities, and to pay the costs of issuing the bonds. On February 21, 2018, the District issued general obligation bonds in the amount of \$17,000,000.

The District's outstanding general obligation debt, excluding \$1,236,920 of unamortized bond premium, as of June 30, 2018 is as follows:



**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)**

**A. Current Interest Bonds**

Year of Issue	Interest Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2005	5.00	2037	\$ 1,940,000	\$ 1,940,000			\$ 1,940,000
2012	2.25	2029	15,980,000	13,365,000		\$ 805,000	12,560,000
2014	2.00-5.00	2040	18,000,000	15,165,000		1,135,000	14,030,000
2018	2.00-5.00	2040			\$ 17,000,000		17,000,000
Totals			<u>\$ 35,920,000</u>	<u>\$ 30,470,000</u>	<u>\$ 17,000,000</u>	<u>\$ 1,940,000</u>	<u>\$ 45,530,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ended June 30	Principal	Interest	Totals
2019	\$ 2,125,000	\$ 1,453,387	\$ 3,578,387
2020	1,780,000	1,441,081	3,221,081
2021	1,475,000	1,399,563	2,874,563
2022	1,605,000	1,355,344	2,960,344
2023	1,745,000	1,304,006	3,049,006
2024-2028	11,305,000	5,529,181	16,834,181
2029-2033	8,070,000	3,757,913	11,827,913
2034-2038	12,250,000	2,093,306	14,343,306
2039-2043	5,175,000	180,216	5,355,216
Totals	<u>\$ 45,530,000</u>	<u>\$ 18,513,997</u>	<u>\$ 64,043,997</u>

**B. Capital Appreciation Bonds**

Year of Issue	Accretion Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2017	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2018
2005	3.04-11.75	2036	<u>\$ 5,459,008</u>	<u>\$ 9,508,894</u>	<u>\$ 509,727</u>	<u>\$ 195,000</u>	<u>\$ 9,823,621</u>

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds (Concluded)**

The outstanding obligation for the capital appreciation bonds at June 30, 2018, is as follows:

Year Ended June 30	Amount of Original Issue (Principal)	Accreted Interest	Totals
2019	\$ 118,538	\$ 100,613	\$ 219,151
2020	117,275	101,213	218,488
2021	118,080	103,605	221,685
2022	120,771	107,425	228,196
2023	120,551	108,688	229,239
2024-2028	588,136	551,582	1,139,718
2029-2033	2,513,872	2,463,533	4,977,405
2034-2038	1,224,381	1,365,358	2,589,739
Totals	<u>\$ 4,921,604</u>	<u>\$ 4,902,017</u>	<u>\$ 9,823,621</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2018, are as follows:

Year Ended June 30	Principal	Interest	Totals
2019	\$ 118,538	\$ 101,462	\$ 220,000
2020	117,275	112,725	230,000
2021	118,080	126,920	245,000
2022	120,771	144,229	265,000
2023	120,551	159,449	280,000
2024-2028	588,136	1,046,864	1,635,000
2029-2033	2,513,872	7,046,128	9,560,000
2034-2038	1,224,381	5,965,619	7,190,000
Totals	<u>\$ 4,921,604</u>	<u>\$ 14,703,396</u>	<u>\$ 19,625,000</u>

**NOTE 7 - 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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - CAPITAL LEASE (CONCLUDED)**

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

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 189,466	\$ 41,799	\$ 231,265
2020	192,853	38,411	231,264
2021	196,301	34,963	231,264
2022	199,811	31,454	231,265
2023	203,384	27,881	231,265
2024-2028	1,072,781	83,543	1,156,324
2029-2033	340,814	6,084	346,898
Totals	<u>\$ 2,395,410</u>	<u>\$ 265,155</u>	<u>\$ 2,659,545</u>

**NOTE 8 - 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 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The District's defined benefit plan, Rincon Valley Union School District's Other Post Employment Benefits Plan (Plan), is a single-employer defined benefit health care plan administered by the District.

**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:

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

*Plan Description/ Benefits Provided (Concluded)*

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

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, 2017 are as follows:

Inactive employees currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>142</u>
Total number of participants	<u><u>161</u></u>

*Total OPEB Liability*

The District's total OPEB liability of \$1,921,359 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**Actuarial Assumptions**

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2017, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary Increases	2.75%
Discount Rate	3.5%, net of expenses
Health Care Cost Trend Rates	4.0% 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.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance - Beginning of Year	<u>\$ 1,840,644</u>
Changes for the year:	
Service cost	143,872
Interest on total OPEB liability	64,846
Benefit payments (includes implicit subsidy)	<u>(128,003)</u>
Net change	<u>80,715</u>
Balance - End of Year	<u><u>\$ 1,921,359</u></u>

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate 1% Decrease 2.50%	Discount Rate Current Rate 3.50%	Discount Rate 1% Increase 4.50%
District's total OPEB liability	\$ 2,043,679	\$ 1,921,359	\$ 1,813,913

**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 3.00%	Health Care Cost Trend Rate Current Rate 4.00%	Health Care Cost Trend Rate 1% Increase 5.00%
District's total OPEB liability	\$ 1,832,441	\$ 1,921,359	\$ 2,011,696

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$73,045. At June 30, 2018, the District reported deferred outflows of resources of \$135,673, which represent District contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019.

**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, 2018**

**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	\$ 30,840,849	\$ 8,854,999	\$ 2,017,428	\$ 4,590,430
CalPERS	13,209,393	4,124,214	324,436	2,548,414
Totals	<u>\$ 44,050,242</u>	<u>\$ 12,979,213</u>	<u>\$ 2,341,864</u>	<u>\$ 7,138,844</u>

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

**Plan Description**

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The 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 and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

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

The Defined Benefit Program provides retirement benefits based on 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. There are several differences between the two benefit formulas 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, 2018**

---

**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 means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months 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 Governor and are detailed in the Teachers' Retirement Law. 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, 2018**

**NOTE 10 - RETIREMENT PLANS (CONTINUED)**

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

**Contributions (Concluded)**

**Members:** Pursuant to Chapter 47, Statutes of 2014 (AB 1469), 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 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

**Employers:** Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed \$2,515,595 to the plan for the fiscal year ended June 30, 2018.

**State:** The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2018 was 4.811%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.328% for the fiscal year ended June 30, 2018.

**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, 2018, 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	\$ 30,840,849
State's proportionate share of the net pension liability associated with the District	<u>18,245,186</u>
Total net pension liability attributed to District	<u><u>\$ 49,086,035</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0333%
Proportion - June 30, 2016	<u>0.0338%</u>
Change - Increase (Decrease)	<u><u>-0.0005%</u></u>

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 (Continued)**

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$4,590,430, which includes \$1,483,711 of support provided by the State.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 2,515,595	
Differences between expected and actual experience	114,054	\$ 551,388
Changes of assumptions	5,713,482	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	511,868	708,068
Net differences between projected and actual earnings on plan investments		757,972
Totals	<u>\$ 8,854,999</u>	<u>\$ 2,017,428</u>

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

Year Ended June 30	
2019	\$ 185,849
2020	1,388,829
2021	930,022
2022	114,576
2023	781,197
2024	921,503

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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)**

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2017. 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, 2016, and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions <sup>1,2</sup>:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return <sup>3</sup>	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

<sup>1</sup> For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

<sup>2</sup> The assumptions for investment rate of return, inflation, and wage growth used in the June 30, 2016, financial reporting actuarial valuation were 7.60%, 3.00% and 3.75%, respectively.

<sup>3</sup> Net of investment expenses, but gross of administrative expenses.

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-2016) table, issued by the Society of Actuaries. The CalSTRS July 1, 2010 - June 30, 2015 Experience Analysis, adopted by the board in February 2017, is available on the CalSTRS website for more information regarding the mortality assumptions.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**NOTE 10 - RETIREMENT PLANS (CONTINUED)**

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

**Actuarial Methods and Assumptions (Concluded)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

\* 20-year average

**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 will be made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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	\$ 45,284,158	\$ 30,840,849	\$ 19,119,126

**Pension Plan's Fiduciary Net Position**

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

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

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

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years.

Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

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

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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% of the total normal cost rate for their defined benefit plan or 6.5% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was \$1,113,036.

**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, 2018, the District reported a liability of \$13,209,393 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0553%
Proportion - June 30, 2016	<u>0.0566%</u>
Change - Increase (Decrease)	<u><u>-0.0013%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$2,548,414. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 10 - RETIREMENT PLANS (CONTINUED)**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,113,036	
Differences between expected and actual experience	492,814	
Changes of assumptions	1,929,441	\$ 170,839
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	87,159	153,597
Net differences between projected and actual earnings on plan investments	501,764	
Totals	<u>\$ 4,124,214</u>	<u>\$ 324,436</u>

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

Year Ended June 30	
2019	\$ 787,167
2020	1,281,976
2021	867,827
2022	(250,228)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2017. Differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**NOTE 10 - RETIREMENT PLANS (CONTINUED)**

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

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

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

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. 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%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, 2018**

**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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + 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 long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate. These geometric rates of return are net of administrative and investment expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

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

(b) An expected inflation of 3.0% 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 1 percentage point lower (6.15%) or 1 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, 2018**

**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	\$ 19,435,250	\$ 13,209,393	\$ 8,044,523

**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, 2018, is shown below:

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Compensated Absences	\$ 169,816	\$ 163,181	\$ 169,816	\$ 163,181	\$ 163,181
General Obligation Bonds	39,978,894	17,509,727	2,135,000	55,353,621	2,345,000
Bond Premium	579,121	694,838	37,039	1,236,920	58,668
Capital Lease	2,581,548		186,138	2,395,410	189,466
Total OPEB Liability *	1,840,644	208,718	128,003	1,921,359	
Net Pension Liabilities	38,520,820	5,529,422		44,050,242	
Totals *	\$ 83,670,843	\$ 24,105,886	\$ 2,655,996	\$ 105,120,733	\$ 2,756,315

\* Beginning balances have been restated - see Note 18.

Compensated absences and total OPEB liability are obligations of the General Fund, the capital lease is an obligation of the Capital Facilities Fund, the net pension liabilities are obligations of the General Fund, Cafeteria Fund, Child Development Fund, and Charter School Fund, and general obligation bonds are obligations of the Bond Interest and Redemption Fund.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 - FUND BALANCES**

The District's fund balances at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 7,250			\$ 2,000	\$ 9,250
Stores Inventory	3,292			4,359	7,651
Prepaid Expenditures	25,124				25,124
Total Nonspendable	35,666			6,359	42,025
Restricted:					
Categorical Programs	871,511			52,797	924,308
Food Service Programs				172,843	172,843
Capital Projects		\$ 9,423,712		146,332	9,570,044
Debt Service				3,428,045	3,428,045
Total Restricted	871,511	9,423,712		3,800,017	14,095,240
Assigned:					
Building Projects			\$ 5,516,339		5,516,339
Other Assignments	3,170,374			426,035	3,596,409
Total Assigned	3,170,374		5,516,339	426,035	9,112,748
Unassigned:					
Reserve for Economic Uncertainties	6,816,528				6,816,528
Remaining unassigned balances	101,567				101,567
Total Unassigned	6,918,095				6,918,095
Totals	\$ 10,995,646	\$ 9,423,712	\$ 5,516,339	\$ 4,232,411	\$ 30,168,108

**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 California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$1,483,711 to CalSTRS. These contributions are recorded in the General Fund as revenue 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 2017-18, 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.

**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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**NOTE 15 - JOINT VENTURE (CONCLUDED)**

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.

**C. Construction Commitments**

As of June 30, 2018, the District has the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Austin Creek Modernization Projects	\$ 519,609	2019
Binkley Modernization Projects	606,562	2019
Madrone Modernization Projects	476,561	2020
Sequoia Modernization Projects	721,320	2019
Spring Creek Modernization Projects	522,851	2019
Village Modernization Projects	6,306,716	2019
Whited Modernization Projects	735,487	2020
Matanzas Modernization Projects	62,344	2019
Total	<u>\$ 9,951,450</u>	

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**NOTE 17 - ECONOMIC DEPENDENCY**

During fiscal year 2017-18, the District received \$1,184,149 of parcel tax revenue that is subject to voter approval. The parcel tax is used to support various District programs and was extended for 12 years starting in fiscal year 2018-19.

**NOTE 18 - RESTATEMENT OF NET POSITION**

During fiscal year 2017-18, the District implemented Governmental Accounting Standards Board Statement No. 75 (GASB 75), as discussed in Note 1B. As a result, the beginning net position of the District has been restated to reflect the District's total OPEB liability under GASB 75, which superseded guidance under GASB 45, and the deferred outflows of resources related to OPEB, which represent OPEB contributions made in the prior fiscal year. In accordance with GASB 75, the beginning net position restatement does not reflect any other adjustments related to deferred inflows or outflows of resources related to OPEBs, which result from differences between expected and actual experience or changes in assumptions or other inputs, as the information required to determine such amounts was not available during the first year implementation.

The effects of the restatement on the current year financial statements are as follows:

	<u>Statement of Activities</u>
Net Position (Deficit) - July 1, 2017 (as originally stated)	<u>\$ (85,601)</u>
Overstatement of OPEB Liability - GASB 45	422,174
Understatement of Deferred Outflows of Resources - OPEB	128,003
Understatement of Total OPEB Liability - GASB 75	<u>(1,840,644)</u>
Net Restatement	<u>(1,290,467)</u>
Net Position (Deficit) - July 1, 2017 (as restated)	<u><u>\$ (1,376,068)</u></u>

**NOTE 19 - 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 January 15, 2019, 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, except as noted below.

## 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, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 13,700,912	\$ 13,450,075	\$ 13,148,273	\$ (301,802)
Local Sources	15,389,343	15,594,369	16,151,460	557,091
Total LCFF Sources	29,090,255	29,044,444	29,299,733	255,289
Federal Revenue	1,088,667	1,213,488	1,269,976	56,488
Other State Revenue	2,069,164	2,590,041	2,785,525	195,484
Other Local Revenue	7,321,182	7,220,917	6,973,814	(247,103)
Total Revenues	39,569,268	40,068,890	40,329,048	260,158
<b><u>Expenditures</u></b>				
Current:				
Certificated Salaries	16,628,175	16,652,523	16,652,431	92
Classified Salaries	6,527,575	6,474,995	6,426,049	48,946
Employee Benefits	8,710,443	8,736,884	8,736,856	28
Books and Supplies	1,415,297	1,636,225	1,206,543	429,682
Services and Other				
Operating Expenditures	3,296,109	4,961,714	4,077,441	884,273
Capital Outlay	509,118	398,722	517,995	(119,273)
Other Expenditures	(6,936)	(14,703)	(18,485)	3,782
Total Expenditures	37,079,781	38,846,360	37,598,830	1,247,530
Excess of Revenues Over Expenditures	2,489,487	1,222,530	2,730,218	1,507,688
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In			3,955	3,955
Operating Transfers Out	(2,915,350)	(3,246,456)	(3,266,274)	(19,818)
Total Other Financing Sources (Uses)	(2,915,350)	(3,246,456)	(3,262,319)	(15,863)
Net Change in Fund Balances	(425,863)	(2,023,926)	(532,101)	\$ 1,491,825
Fund Balances - July 1, 2017	11,527,747	11,527,747	11,527,747	
Fund Balances - June 30, 2018	\$ 11,101,884	\$ 9,503,821	\$ 10,995,646	

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS \***  
**JUNE 30, 2018**

---

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 143,872
Interest on Total OPEB Liability	64,846
Benefit Payments (Includes Implicit Rate)	<u>(128,003)</u>
Net Change in Total OPEB Liability	80,715
Total OPEB Liability - Beginning	<u>1,840,644</u>
Total OPEB Liability - Ending	<u><u>\$ 1,921,359</u></u>
Covered-employee Payroll	\$ 4,283,034
District's Total OPEB Liability as Percentage of Covered-employee Payroll	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.



# RINCON VALLEY UNION SCHOOL DISTRICT

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

JUNE 30, 2018

---

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
2018	0.0333%	\$ 30,840,849	\$ 18,245,186	\$ 49,086,035	\$ 17,674,579	174.49%	69.46%
2017	0.0338%	27,346,431	19,186,387	46,532,818	16,850,298	162.29%	70.04%
2016	0.0346%	23,294,680	15,713,475	39,008,155	16,059,876	145.05%	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

# RINCON VALLEY UNION SCHOOL DISTRICT

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

JUNE 30, 2018

---

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
2018	0.0553%	\$ 13,209,393	\$ 7,056,020	187.21%	71.87%
2017	0.0566%	11,174,389	6,787,803	164.62%	73.90%
2016	0.0561%	8,270,069	6,211,460	133.14%	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
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	16,629,166	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - CALPERS \***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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
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	6,211,927	11.771%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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 in the General Fund as of June 30, 2018 were as follows:

	<u>Excess Expenditures</u>
Capital Outlay	<u>\$ 119,273</u>

The District incurred unanticipated expenditures in excess of appropriations 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.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**D. Schedule of Contributions (Concluded)**

The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

**NOTE 2 - 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**

Since this is the first year of implementation under GASB 75, there are no changes to benefit terms to disclose.

**C. Changes in Assumptions or other inputs**

Since this is the first year of implementation under GASB 75, there are no changes to assumptions or other inputs to disclose.

**NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS**

**Benefit Terms**

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).

**Changes in Assumptions**

During fiscal year 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010, and ending on June 30, 2015. CalSTRS changed its mortality assumptions based on this experience study, which was adopted by the board in February 2017. As a result of the study, CalSTRS also changed the following assumptions used in determining the NPL as follows:

<u>Assumption</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

During fiscal year 2016-17, CalPERS changed the financial reporting discount rate from 7.65% to 7.15%.

## SUPPLEMENTARY INFORMATION SECTION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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>
Cynthia Evers	President	November, 2020
Jeff Gospe	Clerk	November, 2018
Carol Lynn Wood	Member	November, 2020
Mike Cook	Member	November, 2020
Chris Rafanelli	Member	November, 2018

ADMINISTRATION

Tony Roehrick, Ed. D.  
Superintendent

Joseph Pandolfo Jr., Ed. D.  
Deputy Superintendent, Business



**RINCON VALLEY UNION SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Cafeteria</b>	<b>Child Development</b>
<b><u>Assets</u></b>		
Deposits and Investments	\$ 5,770	\$ 401,895
Receivables	189,353	19,832
Stores Inventory	4,359	
Total Assets	<u>\$ 199,482</u>	<u>\$ 421,727</u>
<b><u>Liabilities and Fund Balances</u></b>		
Liabilities:		
Accounts Payable	\$ 3,998	\$ 34,640
Due to Other Funds	18,282	87,609
Unearned Revenue		22,482
Total Liabilities	<u>22,280</u>	<u>144,731</u>
Fund Balances:		
Nonspendable	4,359	2,000
Restricted	172,843	
Assigned		274,996
Total Fund Balances	<u>177,202</u>	<u>276,996</u>
Total Liabilities and Fund Balances	<u>\$ 199,482</u>	<u>\$ 421,727</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<b>Charter School</b>	<b>Bond Interest and Redemption</b>	<b>Capital Facilities</b>	<b>Total Non-Major Governmental Funds</b>
\$ 490,969 185,970	\$ 3,428,045	\$ 141,347 5,557	\$ 4,468,026 400,712 4,359
<u>\$ 676,939</u>	<u>\$ 3,428,045</u>	<u>\$ 146,904</u>	<u>\$ 4,873,097</u>
\$ 64,780 408,323		\$ 572	\$ 103,990 514,214 22,482
<u>473,103</u>		<u>572</u>	<u>640,686</u>
52,797 151,039	\$ 3,428,045	146,332	6,359 3,800,017 426,035
<u>203,836</u>	<u>3,428,045</u>	<u>146,332</u>	<u>4,232,411</u>
<u>\$ 676,939</u>	<u>\$ 3,428,045</u>	<u>\$ 146,904</u>	<u>\$ 4,873,097</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, 2018**

	<u>Cafeteria</u>	<u>Child Development</u>
<b><u>Revenues</u></b>		
LCFF Sources:		
State Apportionment / Transfers		
Federal Revenue	\$ 744,403	
State Revenue	56,150	
Local Revenue	346,788	\$ 1,124,035
Total Revenues	<u>1,147,341</u>	<u>1,124,035</u>
<b><u>Expenditures</u></b>		
Current:		
Instruction		
Instructional Library and Technology		
School Site Administration		
Food Services	1,143,022	
Other Pupil Services		
Other General Administration	18,282	
Plant Services		87,609
Community Services		1,046,463
Debt Service:		
Principal Retirement		
Interest and Issuance Costs		
Total Expenditures	<u>1,161,304</u>	<u>1,134,072</u>
Excess of Revenues Over (Under) Expenditures	<u>(13,963)</u>	<u>(10,037)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers Out		
Other Sources		
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(13,963)	(10,037)
Fund Balances - July 1, 2017	<u>191,165</u>	<u>287,033</u>
Fund Balances - June 30, 2018	<u><u>\$ 177,202</u></u>	<u><u>\$ 276,996</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<b>Charter School</b>	<b>Bond Interest and Redemption</b>	<b>Capital Facilities</b>	<b>Total Non-Major Governmental Funds</b>
\$ 2,480,761			\$ 2,480,761
260,239	\$ 29,203		744,403
6,023	3,246,200	\$ 268,869	345,592
<u>2,747,023</u>	<u>3,275,403</u>	<u>268,869</u>	<u>4,991,915</u>
2,002,321			2,002,321
36,101			36,101
440,322			440,322
			1,143,022
70,288			70,288
20,077			38,359
244,534		572	332,715
			1,046,463
	2,135,000	186,138	2,321,138
	935,794	45,127	980,921
<u>2,813,643</u>	<u>3,070,794</u>	<u>231,837</u>	<u>8,411,650</u>
(66,620)	204,609	37,032	151,021
(3,955)			(3,955)
	694,838		694,838
(3,955)	694,838	0	690,883
(70,575)	899,447	37,032	841,904
274,411	2,528,598	109,300	3,390,507
<u>\$ 203,836</u>	<u>\$ 3,428,045</u>	<u>\$ 146,332</u>	<u>\$ 4,232,411</u>

**RINCON VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>P-2 Report</b>				
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Totals</b>
Regular ADA	734.47	523.98		1,258.45
Extended Year - Special Education	3.19	1.77		4.96
Special Education - NPS / LCI	2.58	2.74		5.32
Extended Year - Special Education NPS / LCI	0.32	0.41		0.73
Totals	<u>740.56</u>	<u>528.90</u>	<u>0.00</u>	<u>1,269.46</u>
<b>Annual Report</b>				
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Totals</b>
Regular ADA	735.57	523.97		1,259.54
Extended Year - Special Education	3.19	1.77		4.96
Special Education - NPS / LCI	2.44	2.84	0.07	5.35
Extended Year - Special Education NPS / LCI	0.32	0.41		0.73
Totals	<u>741.52</u>	<u>528.99</u>	<u>0.07</u>	<u>1,270.58</u>

**RINCON VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOL**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>P-2 Report</u>		<u>Annual Report</u>	
	Classroom -		Classroom -	
	<u>Based</u>	<u>Totals</u>	<u>Based</u>	<u>Totals</u>
<b><u>Binkley</u></b>				
TK / K - 3	201.97	202.38	202.45	202.90
Grades 4 - 6	162.04	162.42	161.16	161.56
Totals	<u>364.01</u>	<u>364.80</u>	<u>363.61</u>	<u>364.46</u>
<b><u>Spring Creek / Matanzas</u></b>				
TK / K - 3	307.17	308.22	306.60	307.66
Grades 4 - 6	243.69	244.58	243.42	244.64
Totals	<u>550.86</u>	<u>552.80</u>	<u>550.02</u>	<u>552.30</u>
<b><u>Village</u></b>				
TK / K - 3	201.72	202.78	202.40	203.57
Grades 4 - 6	175.51	176.10	174.98	175.66
Totals	<u>377.23</u>	<u>378.88</u>	<u>377.38</u>	<u>379.23</u>
<b><u>Whited</u></b>				
TK / K - 3	228.85	230.09	229.26	230.45
Grades 4 - 6	183.63	184.10	182.89	183.36
Totals	<u>412.48</u>	<u>414.19</u>	<u>412.15</u>	<u>413.81</u>
<b><u>Rincon Valley</u></b>				
TK / K - 3		17.59		18.71
Grades 4 - 6		6.93		7.70
Grades 7 - 8	286.13	294.56	285.40	294.46
Totals	<u>286.13</u>	<u>319.08</u>	<u>285.40</u>	<u>320.87</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>2017-18 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	51,834	180	N/A	In Compliance
Grade 1	50,400	51,834	180	N/A	In Compliance
Grade 2	50,400	51,834	180	N/A	In Compliance
Grade 3	50,400	51,834	180	N/A	In Compliance
Grade 4	54,000	54,579	180	N/A	In Compliance
Grade 5	54,000	54,579	180	N/A	In Compliance
Grade 6	54,000	54,579	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>2017-18 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	50,934	180	N/A	In Compliance
Grade 1	50,400	51,549	180	N/A	In Compliance
Grade 2	50,400	51,549	180	N/A	In Compliance
Grade 3	50,400	51,549	180	N/A	In Compliance
Grade 4	54,000	54,579	180	N/A	In Compliance
Grade 5	54,000	54,579	180	N/A	In Compliance
Grade 6	54,000	54,579	180	N/A	In Compliance
Grade 7	54,000	54,800	180	N/A	In Compliance
Grade 8	54,000	54,800	180	N/A	In Compliance

**Auditor's Comment**

All District charter schools provided the same number of instructional minutes per grade level during fiscal year 2017-2018.



**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identification Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture:</b>				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 495,711
School Basic Breakfast	10.553	13525		20,350
School Needy Breakfast	10.553	13526		184,178
USDA Food Commodities	10.555	*		44,164
<b>Total U.S. Department of Agriculture</b>				<b>744,403</b>
<b>U.S. Department of Education:</b>				
Passed Through CDE:				
Title I Basic Grant Low-Income & Neglected	84.010	14329		226,357
Title II Improving Teacher Quality	84.367	14341		50,889
Title III Limited English Proficient	84.365	14346		51,646
Title III Immigrant Education Program	84.365	15146		306
Passed Through Sonoma County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		529,366
IDEA Part B Preschool Grants	84.173	13430		41,404
IDEA Part B Preschool Local Entitlement	84.027A	13682		85,752
Subtotal Special Education Cluster				656,522
<b>Total U.S. Department of Education</b>				<b>985,720</b>
<b>U.S. Department of Health and Human Services:</b>				
<i>Medicaid Cluster:</i>				
Passed Through Sonoma County SELPA:				
Medi-Cal Billing Option	93.778	10013		90,764
Passed Through Sonoma County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		129,147
<b>Total U.S. Department of Health and Human Services</b>				<b>219,911</b>
Totals			\$ 0	\$ 1,950,034

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

**RINCON VALLEY UNION SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

	General Fund	Building Fund	Capital Projects - Special Reserve Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 11,148,875	\$ 10,621,417	\$ 5,548,026
Adjustments (Decreasing) Fund Balances:			
Understatement of Capital Outlay Expenditures	<u>(153,229)</u>	<u>(1,197,705)</u>	<u>(31,687)</u>
June 30, 2018 Audited Financial Statements Fund Balances	<u>\$ 10,995,646</u>	<u>\$ 9,423,712</u>	<u>\$ 5,516,339</u>

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, 2018.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17	2015-16
Revenues and Other Financial Sources	\$ 41,434,315	\$ 40,333,003	\$ 41,092,191	\$ 42,127,251
Expenditures	38,666,692	37,598,830	38,509,455	36,843,606
Other Uses and Transfers Out	3,000,000	3,266,274	3,176,202	3,230,565
Total Outgo	41,666,692	40,865,104	41,685,657	40,074,171
Change in Fund Balance	(232,377)	(532,101)	(593,466)	2,053,080
Ending Fund Balance	\$ 10,763,269	\$ 10,995,646	\$ 11,527,747	\$ 12,121,213
Available Reserves	\$ 7,130,703	\$ 6,918,095	\$ 6,979,274	\$ 6,962,601
Reserve for Economic Uncertainties *	\$ 7,029,136	\$ 6,816,528	\$ 6,979,274	\$ 6,962,601
Available Reserves as a Percentage of Total Outgo	17.1%	16.9%	16.7%	17.4%
Average Daily Attendance at P-2 ** (Excludes ADA of Rincon Valley Charter School)	2,884	2,980	3,070	3,152
Total Long-Term Liabilities (1)	\$ 102,364,418	\$ 105,120,733	\$ 83,670,843	\$ 76,983,417

\* Reported balances are a component of available reserves.

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

(1) The amount presented for the 2016-17 fiscal year has been restated - see note 18.

The fund balance of the General Fund decreased \$1,125,567 (9.3%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$232,377 (2.1%). 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 produced an operating surplus of \$2,053,080 during fiscal year 2015-16, and incurred operating deficits of \$593,466 and \$532,101 during fiscal years 2016-17 and 2017-18, respectively.

Average daily attendance (ADA) decreased 172 ADA over the past two years. The District anticipates a decrease of 96 ADA during fiscal year 2018-19. (Excludes ADA of Rincon Valley Charter School)

Total long-term liabilities increased \$28,137,316 over the past two years due primarily to the increase in the net pension liabilities and the issuance of general obligation bonds during fiscal year 2017-18.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**MEASURE B PARCEL TAX**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

	<u>Current Fiscal Year</u>
<b><u>Revenues</u></b>	
Parcel Tax Proceeds	<u>\$ 1,184,149</u>
<b><u>Expenditures</u></b>	
Salaries and Benefits	1,039,868
Supplies	127,321
Services and Other Operating Expenditures	<u>16,960</u>
Total Expenditures	<u>1,184,149</u>
Net Change in Fund Balance	0
Fund Balance - Beginning	<u>0</u>
Fund Balance - Ending	<u><u>\$ 0</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

<b><u>Charter School</u></b>	<b><u>Charter Number</u></b>	<b><u>District Audit</u></b>
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

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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 Average Daily Attendance**

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

**C. Schedule of Average Daily Attendance - Charter School**

The average daily attendance is a measurement of the number of pupils attending classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of classroom-based and nonclassroom-based students at various grade levels at each of the District's charter schools.

**D. Schedule of Instructional Time**

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

**E. Schedule of Instructional Time - Charter School**

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by each of the District's charter schools and whether they complied with the provisions of Education Code Section 47612.5(a)(1).

**F. 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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**F. Schedule of Expenditures of Federal Awards (Concluded)**

*Basis of Presentation (Concluded)*

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 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.

**G. 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.

**H. 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.

**I. 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.

**J. 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 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 *2017-18 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, 2018.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about 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. 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 Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

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

#### Opinion on State Compliance

In our opinion, 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, 2018.

### Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2018-003** and **2018-004**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

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

### 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 *2017-18 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

January 15, 2019



# **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 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2019.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, as noted in **Finding 2018-001**.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency, as noted in **Finding 2018-002**.

### Compliance and Other Matters

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

### District's Responses to Findings

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

### 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

January 15, 2019

# **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, 2018. 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, 2018.

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

January 15, 2019



## FINDINGS AND QUESTIONED COSTS SECTION

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**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>  X  </u> Yes	<u>      </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)?        Yes   X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.027 / 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?   X   Yes        No

**State Awards**

Any audit findings required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*?   X   Yes        No

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, 2018**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2018 - 001 / 30000**

**MATERIAL WEAKNESS**

**EXPENDITURE RECOGNITION**

<u>Criteria:</u>	Under the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, regardless of when the related invoices or progress billings are actually received and paid. Accordingly, districts should have effective procedures in place to ensure that all significant expenditures are recorded in the appropriate financial reporting period.
<u>Condition:</u>	Internal controls over financial reporting were inadequate in the areas where audit adjustments were required. As a result, the fiscal year 2017-18 "Unaudited Actuals" Financial and Budget Report, prepared by the District, did not include \$1,382,621 of capital outlay expenditures incurred during fiscal year 2017-18, but not paid until fiscal year 2018-19.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments made to ensure that the financial statements are fairly stated are presented on page 75 of this report.
<u>Effect:</u>	The financial statements presented in the "Unaudited Actuals" that were approved by the Board contained misstatements that were material to the financial statements of the District.
<u>Cause:</u>	The District's current procedures did not adequately ensure that all significant expenditures were recorded in the appropriate financial reporting period.
<u>Recommendation:</u>	The District should establish appropriate procedures to ensure that all significant expenditures are recorded in the appropriate financial reporting period.
<u>District Response:</u>	District staff will be trained on proper accrual procedures this fiscal year which will prevent this type of error from occurring in the future.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**2018 - 002 / 30000**

**SIGNIFICANT DEFICIENCY**

**CAPITAL ASSETS**

**Criteria:**

In accordance with Governmental Accounting Standards Board (GASB) Statement 34, all school districts are required to capitalize and depreciate all exhaustible capital assets in the district-wide financial statements. As a result, all school districts should have a capital asset system in place to ensure that the required capital asset information is current, accurate, complete, and available for the auditors to examine during their year-end visit to the District.

At a minimum, capital asset systems should provide the following:

- A detailed listing of all capital assets owned by the district at the beginning of the year, which includes the historical cost and accumulated depreciation for each individual asset.
- A detailed schedule of construction-in-progress at the beginning of the year, which identifies inception to date costs for each individual project.
- A detailed listing of all current year capital asset additions, which identifies the individual assets purchased or constructed, along with the value assigned to each individual asset for purposes of capitalizing and depreciating individual assets.
- A detailed listing of all current year capital asset dispositions, which identifies the individual assets that were discarded or sold, along with the amount of sales proceeds received, if any, for purposes of computing gains and losses.
- A detailed listing of all capital assets, along with the calculation of current year depreciation expense for each individual asset.
- A detailed listing of all capital assets owned by the district at the end of the fiscal year, which includes the historical cost and accumulated depreciation for each individual asset.
- A detailed schedule of construction-in-progress at the end of the year, which identifies inception to date costs for each individual project.
- A reconciliation of current year capital outlay expenditures and facilities acquisition and construction expenditures to the capital asset inventory records.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**CAPITAL ASSETS (CONCLUDED)**

<b><u>Condition:</u></b>	Capital asset records for fiscal year 2017-18 were not available during the auditor's year-end visit to the District.
<b><u>Questioned Costs:</u></b>	None.
<b><u>Context:</u></b>	The audit of the District's capital asset records could not be completed until January 2019.
<b><u>Effect:</u></b>	The lack of available capital asset records at the time of the auditor's year-end visit to the District hampers the performance of audit procedures and impedes the auditor's ability to complete the audit by the required due date.
<b><u>Cause:</u></b>	The District experienced turnover in key business office positions, and was unable to review and update the capital asset records in a timely manner.
<b><u>Recommendation:</u></b>	The District should establish appropriate procedures to ensure that all of the required capital asset information is available to be audited during the auditor's year-end visit to the District in the future.
<b><u>District Response:</u></b>	The District has trained staff on proper procedures for recording capital fixed assets and has also switched software providers in order to streamline the recording of assets for staff.

**RINCON VALLEY UNION SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

There are no matters to report for the fiscal year ended June 30, 2018.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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

**2018 - 003 / 10000**

**ATTENDANCE**

<b><u>Criteria:</u></b>	In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
<b><u>Condition:</u></b>	Weekly verification forms, which are used by teachers to document the attendance of students, were not signed by teachers and submitted to the attendance office, on a consistent basis.
<b><u>Questioned Costs:</u></b>	None. Attendance is recorded on-line in the classrooms by the teachers.
<b><u>Context:</u></b>	The condition was noted at Sequoia Elementary throughout fiscal year 2017-18.
<b><u>Effect:</u></b>	There is no documented evidence that attendance was taken by teachers if signed weekly verification forms are not submitted to the school secretary.
<b><u>Cause:</u></b>	Teachers did not follow District established attendance procedures.
<b><u>Recommendation:</u></b>	The District should remind the school of the established policies and procedures that require the school secretary to track whether teachers submit signed weekly verification forms, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to site administrators.
<b><u>District Response:</u></b>	School Site personnel were retrained to perform proper attendance accounting procedures and periodic reviews of these procedures have been scheduled.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2018 - 004 / 40000**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS**

<u>Criteria:</u>	Education Code Section 42238.02(b)(2) requires a school district or charter school to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). Education Code Section 42238.02(b)(3)(B) states that the Controller shall include instructions necessary to enforce paragraph (2) in the audit required by Education Code Section 14502.1 and that the instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.
<u>Condition:</u>	The updated unduplicated pupil counts for the District did not properly upload into CALPADS by the required due date, and the error was not detected until after the cut off date to submit changes to the State. As a result, the total unduplicated pupil count reported was overstated by 437 pupils.
<u>Context:</u>	All schools were included in our sample population for purposes of determining the accuracy and completeness of the unduplicated pupil counts.
<u>Effect:</u>	The District overstated the certified unduplicated local control funding formula pupil counts to the California Department of Education (CDE).
<u>Questioned Costs:</u>	The estimated fiscal impact is \$95,505 based on the FCMAT created LCFF calculation worksheet. A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:



**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONTINUED)**

**Questioned Costs (Continued):**

	Total Enrollment	Unduplicated Eligible Free/ Reduced Meal Counts	EL Funding Eligible	Total Unduplicated FRPM/EL Eligible Count
<b><u>Certified Pupil Counts:</u></b>				
Austin Creek Elementary	420	92	23	107
Madrone Elementary	409	225	57	234
NPS School Group for Rincon Valley Union Elementary	6	4	0	4
Rincon Valley Partnership	67	26	15	31
Sequoia Elementary	418	127	21	134
Totals	1,320	474	116	510
<b><u>Audit Adjustments:</u></b>				
Austin Creek Elementary		(56)		(56)
Madrone Elementary		(56)		(56)
NPS School Group for Rincon Valley Union Elementary		(2)		(2)
Rincon Valley Partnership		(56)		(56)
Sequoia Elementary				
Totals	0	(170)	0	(170)
<b><u>Audited Pupil Counts:</u></b>				
Austin Creek Elementary	420	36	23	51
Madrone Elementary	409	169	57	178
NPS School Group for Rincon Valley Union Elementary	6	4	0	4
Rincon Valley Partnership	67	24	15	29
Sequoia Elementary	418	71	21	78
Totals	1,320	304	116	340

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONTINUED)**

**Questioned Costs (Concluded):**

	Total Enrollment	Unduplicated Eligible Free/ Reduced Meal Counts	EL Funding Eligible	Total Unduplicated FRPM/EL Eligible Count
<b><u>Certified Pupil Counts:</u></b>				
Binkley Elementary Charter	386	211	70	224
Rincon Valley Charter	327	117	19	125
Spring Creek Matanzas Charter	582	345	90	358
Village Elementary Charter	398	227	73	238
Whited Elementary Charter	429	256	71	279
Totals	2,122	1,156	323	1,224
<b><u>Audit Adjustments:</u></b>				
Binkley Elementary Charter		(44)		(44)
Rincon Valley Charter		(27)		(27)
Spring Creek Matanzas Charter		(76)		(76)
Village Elementary Charter		(53)		(53)
Whited Elementary Charter		(67)		(67)
Totals	0	(267)	0	(267)
<b><u>Audited Pupil Counts:</u></b>				
Binkley Elementary Charter	386	167	70	180
Rincon Valley Charter	327	90	19	98
Spring Creek Matanzas Charter	582	269	90	282
Village Elementary Charter	398	174	73	185
Whited Elementary Charter	429	189	71	212
Totals	2,122	889	323	957

**Cause:**

The District experienced technical difficulties with its student information system and CALPADS that prevented it from reporting complete and accurate information to the State by the required due date.

**Recommendation:**

The District should establish procedures to ensure that all of the pupil information reported on the CALPADS "1.18 - FRPM / English Learner / Foster Youth - Student List" report is properly uploaded to CALPADS by the required due date, and verified for accuracy and completeness while corrections may still be uploaded to CALPADS.

**RINCON VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)**

**District Response:**

The underlying cause of the discrepancy for the misstated unduplicated count was a state provided direct certification database that was inaccurate. The District questioned the data at the time the database was provided, but the California Department of Education CALPADS representatives were unresponsive to District inquiries. Although the District suspected the database was inaccurate, it was required to follow state procedures and report the unduplicated count based on the erroneous state provided database. The District will continue to monitor all direct certification databases and, if possible, will work with the state to correct discrepancies before they are finalized in CALPADS.

**RINCON VALLEY UNION SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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