

BOARD OF TRUSTEES
RIVER DELTA UNIFIED SCHOOL DISTRICT
445 Montezuma Street
Rio Vista, CA 94571-1651



BOARD AGENDA BRIEFING

Meeting Date: January 9, 2018 Attachments: ___x___

From: Elizabeth Keema-Aston, Chief Business Officer Item Number: _12_

SUBJECT Accept and approve the Audit Report of Crowe Horwath Action: ___x___
LLP, Independent Auditor, for Fiscal Year 2016-17 Consent Action: _____
Financial Records of the Bond Funds. Information Only: _____

Background:

Each school district within California must arrange an annual audit of its financial records by an independent certified public accountant. The district has contracted with Crowe Horwath LLP to perform the audit for fiscal year ending June 30, 2017.

Status: The District has reviewed the reports and agrees with the procedures performed and conclusions presented by Crowe Horwath LLP for Measures U & V, the Bond Funds.

Presenter: Representative from Crowe Horwath LLP

Other People Who Might Be Present: n/a

Cost &/or Funding Sources: n/a

Recommendation:

That the Board accepts and approves the Financial Records Audit Report regarding Bond Funds as presented for fiscal year 2016-17

Time: ____15 mins.____

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
June 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL SECTION:	
BALANCE SHEET.....	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE.....	4
NOTES TO FINANCIAL STATEMENTS.....	5
OTHER REPORTS:	
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>	9
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS.....	11
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS.....	12

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
River Delta Unified School District
Rio Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of River Delta Unified School District (the "District") Measure U General Obligation Bonds activity included in the Building Fund of the District ("Measure U Bonds"), as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 the 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 principles 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 opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the River Delta Unified School District's Measure U General Obligation Bonds as of June 30, 2017, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure U General Obligation Bonds only, and do not purport to, and do not, present fairly the financial position of River Delta Unified School District, as of June 30, 2017 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Measure U General Obligation Bonds activity. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for Measure U General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering River Delta Unified School District's internal control over financial reporting and compliance for the Measure U General Obligation Bonds activity.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Cash and investments (Note 2)	\$	117,019
Receivables		<u>1,098</u>
Total assets	\$	<u>118,117</u>

LIABILITIES AND FUND BALANCE

Fund balance – restricted (Note 3)	\$	<u>118,117</u>
------------------------------------	----	----------------

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2017

Revenues:		
Interest income	\$	2,516
Expenditures:		
Current:		
Contract services and operating expenditures		48,650
Capital outlay		<u>210,991</u>
Total expenditures		<u>259,641</u>
Change in fund balance		(257,125)
Fund balance, July 1, 2016		<u>375,242</u>
Fund balance, June 30, 2017	\$	<u><u>118,117</u></u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of River Delta Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure U Bonds are recorded along with other activities in the District's Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure U General Obligation Bonds, only. The activities of the Measure U General Obligation Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of River Delta Unified School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

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 government funds. By State law, the District's Board of Trustees 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 Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

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.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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 as of June 30.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of \$116,880 held in the County Treasury investment pool, and \$139 in Cash with Fiscal Agent.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts 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 cash held in the County Treasury are classified within level 2 of the fair value hierarchy because they are valued using broker or dealer quotations, or alternative pricing sources with reasonable level of price transparency. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by various financial institutions. The cash balances are fully collateralized at June 30, 2017.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure U General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. The fund balance is restricted for the purposes and project listing as authorized under Measure U.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure U by at least 55% of the registered voters voting on the proposition at an election held on November 2, 2004, River Delta Unified School District was authorized to issue and sell bonds of up to \$14,000,000 in aggregate principal amount.

Purpose Of Bonds: The proceeds of the Bonds may be used:

"To improve the quality of education in Isleton and Rio Vista, shall the School Facilities Improvement District No. 1 of River Delta Unified School District construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems, make health and safety improvements, and qualify for State grants by issuing \$14,000,000 in bonds, with interest within legal limits, annual audits, a citizens' oversight committee and NO money for administrators' salaries?"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bond Project List: The District's Board of Trustees developed Bond Projects listed below to be undertaken at the following schools for Measure U:

Rio Vista High School – Built in 1939

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Improve handicapped access to comply with federal standards, including building access, restroom and provide wheelchair access and lifts as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Upgrade and modernize classroom interior and support facilities, including the library and cafeteria; replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide or purchase other school furniture and equipment, as needed.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Riverview School – Built in 1949

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Upgrade and modernize classrooms and support facilities, including replacing outdated windows, doors, white boards, blinds and repainting school facilities as needed.
- Improve handicapped access to comply with federal standards, including building access, and provide wheelchair lifts and ramps as needed.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

D.H. White Elementary School – Built in 1953; modernized in 1991

- Modify school interiors to create additional space for student support facilities.
- Make central corridor improvements for media center.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.
- Provide or purchase other school furniture and equipment, as needed.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District, and Sacramento County and Solano County are obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

Measure U: On March 17, 2005, the District issued Series 2005 Measure U General Obligation Bonds, totaling \$8,249,979. Repayment of the Bonds is made from is made from tax collections received from the county which the District is located. The Current Interest Serial Bonds accrue interest up to a maximum of 4.5% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2026.

On December 5, 2006 the District issued Series 2006 General Obligation Bonds in the amount of \$5,749,994 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2008.

The financial activity related to the Measure U General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 22. The Financial Activity Reports for District Funds 21, 22 and 23 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2017.

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
River Delta Unified School District
Rio Vista, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of River Delta Unified School District (the "District") Measure U General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2017, and related notes to the financial statements and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered River Delta Unified School District's internal control over Measure U General Obligation Bond activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Delta Unified School District's internal control. Accordingly, we do not express an opinion of the effectiveness of River Delta Unified School District's internal control.

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

Our consideration of internal control over financial reporting 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the River Delta Unified School District Measure U General Obligation Bond activity included in the Building Fund of the District's financial statements is free of material misstatement, we performed tests of the District's 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*.

Purpose of this Report

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND:	
LEGISLATIVE HISTORY.....	2
RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE U GENERAL OBLIGATION BONDS	2
PERFORMANCE AUDIT:	
OBJECTIVES	5
SCOPE	5
METHODOLOGY	5
CONCLUSION.....	5

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
River Delta Unified School District
Rio Vista, California

We have conducted a performance audit of the River Delta Unified School District (the "District") Measure U General Obligation Bond funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure U General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for River Delta Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of River Delta Unified School District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, River Delta Unified School District expended Measure U General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Measure U Oversight Committee and Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE U GENERAL OBLIGATION BONDS

On November 2, 2004, the electorate of River Delta Unified School District School Facilities Improvement District # 1 (SFID #1) approved the \$14 million Measure U General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"To improve the quality of education in Isleton and Rio Vista, shall the School Facilities Improvement District No. 1 of River Delta Unified School District construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems, make health and safety improvements, and qualify for State grants by issuing \$14,000,000 in bonds, with interest within legal limits, annual audits, a citizens' oversight committee and NO money for administrators' salaries?"

The District's Board of Trustees developed the following Bond Project List for SFID #1, Measure U:

Rio Vista High School – Built in 1939

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Improve handicapped access to comply with federal standards, including building access, restroom and provide wheelchair access and lifts as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Upgrade and modernize classroom interior and support facilities, including the library and cafeteria; replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE U GENERAL OBLIGATION BONDS
(Continued)

- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide or purchase other school furniture and equipment, as needed.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Isleton Elementary School – Built in 1954

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Improve handicapped access to comply with federal standards, including building access, restrooms and provide wheelchair access and lifts as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Upgrade library, classrooms and multipurpose room, and kitchen and cafeteria.
- Upgrade and modernize classrooms and support facilities, including replacing outdated windows, doors, white boards, blinds and repainting school facilities as needed.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Provide or purchase other school furniture and equipment, as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos and provide ADA accessible safe street crossings.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Riverview School – Built in 1949

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Upgrade and modernize classrooms and support facilities, including replacing outdated windows, doors, white boards, blinds and repainting school facilities as needed.
- Improve handicapped access to comply with federal standards, including building access, and provide wheelchair lifts and ramps as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE U GENERAL OBLIGATION BONDS
(Continued)

D.H. White Elementary School – Built in 1953; modernized in 1991

- Modify school interiors to create additional space for student support facilities.
- Make central corridor improvements for media center.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.
- Provide or purchase other school furniture and equipment, as needed.

On March 17, 2005, the District issued Series 2005 Measure U General Obligation Bonds in the amount of \$8,249,979 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.5% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2026.

On December 5, 2006 the District issued Series 2006 General Obligation Bonds in the amount of \$5,749,994 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2008.

The financial activity related to the Measure U General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 22. The Financial Activity Reports for District Funds 21, 22 and 23 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2017.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE U GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSION

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure U General Obligation Bond funds for the year ended June 30, 2017 only for the purposes approved by the voters and only on the specific projects developed by the District's Measure U Oversight Committee and Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure U General Obligation Bond project expenditures for the year ended June 30, 2017 (the "List"). A total of \$259,641 in expenditures from July 1, 2016 through June 30, 2017 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure U General Obligation Bond project expenditures for the year ended June 30, 2017:

- Verified the mathematical accuracy of the List.
- Reconciled the list to total bond expenditures as reported by the District in the Measure U General Obligation Bonds audited financial statements for the year ended June 30, 2017, presented as the Building Fund.
- Selected a sample of seven expenditures totaling \$249,755. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 96.19% of the total expenditure value. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.

CONCLUSION

The results of our procedures indicated that, in all significant respects, River Delta Unified School District expended Measure U General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Measure U Oversight Committee and Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
June 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL SECTION:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	4
NOTES TO FINANCIAL STATEMENTS	5
OTHER REPORTS:	
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>	10
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS	12
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS.....	13

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
River Delta Unified School District
Rio Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of River Delta Unified School District (the "District") Measure V General Obligation Bonds activity included in the Building Fund of the District ("Measure V Bonds"), as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 the 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 principles 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 opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the River Delta Unified School District's Measure V General Obligation Bonds as of June 30, 2017, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure V General Obligation Bonds only, and do not purport to, and do not, present fairly the financial position of River Delta Unified School District, as of June 30, 2017 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Cash and investments (Note 2)	\$ 55,444
Receivables	<u>387</u>
Total assets	<u>\$ 55,831</u>

FUND BALANCE

Fund balance – restricted (Note 3)	<u>\$ 55,831</u>
------------------------------------	------------------

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2017

Revenues:		
Other local revenue		\$ <u>807</u>
Expenditures:		
Current:		
Contract services and operating expenditures		28,650
Capital outlay		<u>13,100</u>
Total expenditures		<u>41,750</u>
Change in fund balance		(40,943)
Fund balance, July 1, 2016		<u>96,774</u>
Fund balance, June 30, 2017		<u><u>\$ 55,831</u></u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of River Delta Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure V Bonds are recorded along with other activities in the District's Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure V General Obligation Bonds, only. The activities of the Measure V General Obligation Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of River Delta Unified School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the District's Board of Trustees 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 Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

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.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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 as of June 30.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH

Cash and investments at June 30, 2017 consisted of \$54,849 held in the County Treasury investment pool, and \$595 in Cash with Fiscal Agent.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts 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 cash held in the County Treasury are classified within level 2 of the fair value hierarchy because they are valued using broker or dealer quotations, or alternative pricing sources with reasonable level of price transparency. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by various financial institutions. The cash balances are fully collateralized at June 30, 2017.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure V General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. The fund balance is restricted for the purposes and project listing as authorized under Measure V.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure V by at least 55% of the registered voters voting on the proposition at an election held on November 2, 2004, River Delta Unified School District was authorized to issue and sell bonds of up to \$9,000,000 in aggregate principal amount.

Purpose Of Bonds: The proceeds of the Bonds may be used:

" To improve the quality of education in Walnut Grove, Courtland and Clarksburg, shall the School Facilities Improvement District No. 2 of River Delta Unified School District construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems, make health and safety improvements, and qualify for State grants by issuing \$9,000,000 in bonds, with interest within legal limits, annual audits, a citizens' oversight committee and NO money for administrators' salaries?"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Bond Project List: The District's Board of Trustees developed Bond Projects listed below to be undertaken at the following schools for Measure V:

Delta High School – Built in 1939

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Improve handicapped access to comply with federal standards, including building access, restrooms and provide wheelchair access and lifts as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Upgrade and modernize classroom interiors and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Make health and safety improvements, including parking, paving, utility system, septic tank and sanitary sewer upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.
- Provide or purchase other school furniture and equipment, as needed.

Mokelumne High School – Built in 1949

- Improve handicapped access to comply with federal standards, including building access, restrooms and provide wheelchair access and lifts as needed.
 - Upgrade and modernize classroom interiors and support facilities such as replacing outdated windows, doors, white boards, blinds and repainting school facilities as needed.
 - Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials as needed.
-

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

- Provide or purchase other school furniture and equipment, as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos and provide ADA accessible, including walkways.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Bates Elementary School – Built in 1951

- Improve handicapped access to comply with federal standards, including building access, and provide wheelchair lifts as needed.
- Upgrade and renovate electrical systems, including power supply to improve student access to computers and modern technology.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Replace heating, ventilation and air conditioning and window systems with modern efficient controls and materials.
- Renovate outdated restrooms, plumbing systems and drinking fountains to comply with health and safety standards.
- Upgrade and modernize classroom interiors, media center and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Walnut Grove School – Built in 1935

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Improve handicapped access to comply with federal standards, including building access and provide wheelchair lifts as needed.
- Upgrade and modernize classroom interiors, media center and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

Clarksburg Elementary School – Built in 1928

- Improve handicapped access to comply with federal standards, including building access, restroom and provide wheelchair access and lifts as needed.
- Upgrade and modernize classroom interiors and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District, and Sacramento County and Solano County are obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

Measure V: On March 17, 2005, the District issued Series 2005 Measure V General Obligation Bonds in the amount of \$3,999,987 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.375% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2005

On December 5, 2006 the District issued Series 2006 General Obligation Bonds in the amount of \$1,699,994 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on February 1, 2007.

On May 15, 2008, the District issued Series 2008 General Obligation Bonds in the amount of \$3,300,015 to upgrade, renovate, furnish and equip the school facilities. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2032.

The financial activity related to the Measure V General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 23. The Financial Activity Reports for District Funds 21, 22 and 23 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2017.

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
River Delta Unified School District
Rio Vista, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of River Delta Unified School District (the "District") Measure V General Obligation Bonds (the "Bonds") activity included in the Building Fund of the District, as of and for the year ended June 30, 2017, and related notes to the financial statements and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered River Delta Unified School District's internal control over Measure V General Obligation Bond activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Delta Unified School District's internal control. Accordingly, we do not express an opinion of the effectiveness of River Delta Unified School District's internal control.

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

Our consideration of internal control over financial reporting 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the River Delta Unified School District Measure V General Obligation Bond activity included in the Building Fund of the District's financial statements is free of material misstatement, we performed tests of the District's 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*.

Purpose of this Report

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

No matters were reported.

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
MEASURE V GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND:	
LEGISLATIVE HISTORY.....	2
RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE V GENERAL OBLIGATION BONDS.....	2
PERFORMANCE AUDIT:	
OBJECTIVES	6
SCOPE	6
METHODOLOGY	6
CONCLUSION.....	6

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
River Delta Unified School District
Rio Vista, California

We have conducted a performance audit of the River Delta Unified School District (the "District") Measure V General Obligation Bond funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure V General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for River Delta Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of River Delta Unified School District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, River Delta Unified School District expended Measure V General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Measure V Oversight Committee and Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



Crowe Horwath LLP

Sacramento, California
December 8, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE V GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE V GENERAL OBLIGATION BONDS

On November 2, 2004, the electorate of River Delta Unified School District School Facilities Improvement District #2 (SFID #2) approved the \$9 million Measure V General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

" To improve the quality of education in Walnut Grove, Courtland and Clarksburg, shall the School Facilities Improvement District No. 2 of River Delta Unified School District construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems, make health and safety improvements, and qualify for State grants by issuing \$9,000,000 in bonds, with interest within legal limits, annual audits, a citizens' oversight committee and NO money for administrators' salaries?"

The District's Board of Trustees developed the following Bond Project List for SFID #2:

Delta High School – Built in 1939

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Improve handicapped access to comply with federal standards, including building access, restrooms and provide wheelchair access and lifts as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Upgrade and modernize classroom interiors and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE V GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE V GENERAL OBLIGATION BONDS
(Continued)

- Make health and safety improvements, including parking, paving, utility system, septic tank and sanitary sewer upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.
- Provide or purchase other school furniture and equipment, as needed.

Mokelumne High School – Built in 1949

- Improve handicapped access to comply with federal standards, including building access, restrooms and provide wheelchair access and lifts as needed.
- Upgrade and modernize classroom interiors and support facilities such as replacing outdated windows, doors, white boards, blinds and repainting school facilities as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos and provide ADA accessible, including walkways.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Bates Elementary School – Built in 1951

- Improve handicapped access to comply with federal standards, including building access, and provide wheelchair lifts as needed.
- Upgrade and renovate electrical systems, including power supply to improve student access to computers and modern technology.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Replace heating, ventilation and air conditioning and window systems with modern efficient controls and materials.
- Renovate outdated restrooms, plumbing systems and drinking fountains to comply with health and safety standards.
- Upgrade and modernize classroom interiors, media center and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE V GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE V GENERAL OBLIGATION BONDS
(Continued)

Walnut Grove School – Built in 1935

- Renovate outdated restrooms and plumbing systems to comply with health and safety standards.
- Upgrade and renovate electrical systems, including lighting and power supply to improve student access to computers and modern technology.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials.
- Improve handicapped access to comply with federal standards, including building access and provide wheelchair lifts as needed.
- Upgrade and modernize classroom interiors, media center and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

Clarksburg Elementary School – Built in 1928

- Improve handicapped access to comply with federal standards, including building access, restroom and provide wheelchair access and lifts as needed.
- Upgrade and modernize classroom interiors and support facilities, including replacing outdated windows, white boards, blinds and repainting school facilities as needed.
- Replace heating, ventilation and air conditioning systems with modern energy efficient controls and materials as needed.
- Make health and safety improvements by abating (removing) hazardous materials, including asbestos.
- Upgrade communication and fire systems, including telephone, public address, data wiring and fire alarms.
- Provide or purchase other school furniture and equipment, as needed.
- Make general site improvements, including parking, utility system upgrades and school exterior and ground improvements.
- Provide temporary facilities during construction/modernization, including additional site improvements as needed.

On March 17, 2005, the District issued Series 2005 Measure V General Obligation Bonds in the amount of \$3,999,987 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.375% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2005.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE V GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT MEASURE V GENERAL OBLIGATION BONDS
(Continued)

On December 5, 2006 the District issued Series 2006 General Obligation Bonds in the amount of \$1,699,994 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.0% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on February 1, 2007.

On May 15, 2008, the District issued Series 2008 General Obligation Bonds in the amount of \$3,300,015 to upgrade, renovate, furnish and equip the school facilities. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, from its Denomination Amount on the date of delivery to its stated maturity, with the first scheduled payment on August 1, 2032.

The financial activity related to the Measure V General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 23. The Financial Activity Reports for District Funds 21, 22 and 23 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2017.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT #2
MEASURE V GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSION

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure V General Obligation Bond funds for the year ended June 30, 2017 only for the purposes approved by the voters and only on the specific projects developed by the District's Measure V Oversight Committee and Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure V General Obligation Bond project expenditures for the year ended June 30, 2017 (the "List"). A total of \$41,750 in expenditures from July 1, 2016 through June 30, 2017 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure V General Obligation Bond project expenditures for the year ended June 30, 2017:

- Verified the mathematical accuracy of the List.
- Reconciled the list to total bond expenditures as reported by the District in the Measure V General Obligation Bonds audited financial statements for the year ended June 30, 2017, presented as the Building Fund.
- Selected a sample of three expenditures totaling \$34,117. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 81.72% of the total expenditure value. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.

CONCLUSION

The results of our procedures indicated that, in all significant respects, River Delta Unified School District expended Measure V General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Measure V Oversight Committee and Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution