

**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: _11_

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

Presenter: Representative of 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 as presented for fiscal year 2016-17

Time: ___5 mins. ___

RIVER DELTA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

RIVER DELTA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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RIVER DELTA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
(Continued)

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INDEPENDENT AUDITOR'S REPORT

Board of Education
River Delta Unified School District
Rio Vista, 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 River Delta Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise River Delta Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 River Delta Unified School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

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 to 9, the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 42 to 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the River Delta Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, 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.

(Continued)

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 River Delta Unified 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering River Delta Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 2017

**Management's Discussion and Analysis
(MD&A)
River Delta Unified School District
2016-17**

Management's Discussion and Analysis Section of the audit report is management's view of the District's financial performance and condition during the fiscal year ending June 30, 2017. It should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information.

Management's Discussion and Analysis consists of five sections:

- 1. Overview of the Financial Statements:** serves as a guide to reading the financial statements provided in the sections following the Management's Discussion and Analysis.
- 2. Financial Analysis of the District as a Whole:** a summary view of the District's Net Position.
- 3. Financial Analysis of the District's Funds:** including a subsection on the District's General Fund.
- 4. Capital Asset and Debt Administration:** a look at the District's investment in capital assets and its level of debt.
- 5. Factors Bearing on the District's Financial Future:** a discussion of issues management sees as relevant to the future financial health of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. Because these statements include all district funds, it should be noted that certain inter-fund and other types of transactions that net to zero have been eliminated so that District-wide revenues and expenditures are presented without artificial inflation.
- The remaining statements are fund financial statements that focus on the major funds of the District. These statements report the District's operations in more detail than the District-wide statements.

These two kinds of statements report the District's net position and changes during the year. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating over time.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. These notes are considered to be an integral part of the financial statements and should be considered in conjunction with them when looking at the District's financial picture.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

In the District-wide financial statements, the District's activities are shown as Governmental activities. We have no funds that are classified as Business-type activities.

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. The District has one type of fund:

Governmental: Most of the District's basic services are included in governmental funds, the General Fund being the largest fund in this category. Other governmental funds the district operates are Adult Ed Fund, Cafeteria Fund, Building Fund, Capital Facilities Fund, County School Facilities Fund, Capital Project Fund for Blended Component Units and the Bond Interest and Redemption Fund.

Revenues for the governmental funds totaled \$25.4 million, with \$23.2 million from the General Fund. Property taxes and state formula aid accounted for 75.1% of the District's General Fund revenue, another 14.5% came from state and federal aid for specific programs, with the remainder from fees charged for services and miscellaneous sources.

Expenditures totaled \$26.5 million, with \$21.6 million from the General Fund. The District's expenses are predominantly related to educating and caring for students, with 74.5% for salaries and benefits from the general fund.

When utilizing these financial statements to assess the overall health of the District, additional non-financial factors will need to be considered, such as the condition of school buildings and other facilities, and enrollment trends.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1

Net Position	2015-16	2016-17
Current and Other Assets	\$ 11,742,405	\$ 10,443,079
Capital Assets	32,202,975	30,727,023
Total Assets	43,945,380	41,170,102
Deferred outflows related to pensions	2,129,724	7,960,130
Deferred outflows from advance refunding of debt	267,727	240,057
Total Deferred Outflows	2,397,451	8,200,187
Long-Term Liabilities Outstanding	40,439,752	48,333,809
Other Liabilities	1,740,848	1,350,957
Total Liabilities	42,180,600	49,684,766
Deferred inflows related to pensions	1,940,000	835,000
Total Deferred Inflows	1,940,000	835,000
Net Position:		
Net Investment in Capital Assets	13,862,214	15,212,228
Restricted	6,619,277	3,392,211
Unrestricted	(18,259,260)	(19,753,916)
Total Net Position	\$ 2,222,231	\$ (1,149,477)

Net Position: The District's Total Net Position for the year ending June 30, 2017 is \$(1,149,477).

It is important to note that land is accounted for at historical cost (purchase value), not market value, and is not depreciated. Many of our school sites have low values for today's market because the District acquired the land decades ago. This valuation of land is consistent with accounting rules set forth by the Governmental Accounting Standards Board.

While land and buildings owned by the District contribute to its net assets, and because of the nature of school operations, the District will be fully utilizing these assets for the foreseeable future, so they are not available as assets that could be liquidated.

Changes in Net Position

Table 2

Revenues:	2015-16	2016-17
Program Revenues:		
Charges for services	108,901	117,124
Operating and Capital Grants	4,665,755	5,092,155
General Revenues:		
Property Taxes	12,983,087	12,354,011
Federal and State Aid	7,234,065	6,830,594
Other	769,231	1,218,539
Total Revenues	25,761,039	25,615,620
Program Expenses		
Instruction	13,984,497	15,785,354
Instruction-Related Services	2,354,785	3,040,092
Pupil Services	3,424,493	3,982,872
General Administration	1,211,070	1,319,881
Plant and Ancillary Services	2,630,791	2,842,171
Interest	930,048	323,564
Other	118,503	1,693,394
Total Expenses	24,654,187	28,987,328
Change in Net Position	1,106,852	(3,371,708)
Net Position - Beginning	1,115,379	2,222,231
Net Position - Ending	2,222,231	(1,149,477)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its fund balances. The District maintains a three percent (3%) reserve in the General Fund, which meets the state-required reserve for fiscal uncertainties, and an additional two percent 2% reserve as a matter of adopted Board policy. As the District completed the 2016-17 year, its funds reported a *combined* fund balance of \$9.2 million. This amount includes the legally restricted ending balances and unrestricted site carryover amounts. It should be noted that all District funds are self-supporting.

General Fund Budgetary Highlights. Over the course of the year, the District revised its annual operating budget numerous times. The adopted budget as of July 1, 2016 was prepared prior to the State of California adopting a final State budget.

Following the adoption of the State budget and after the 2015-16 books were closed, the required First Interim Report was prepared where carryover funds and deferred revenues were incorporated, and the budget revised accordingly.

The District's General Fund ending balance is approximately \$5.8 million. Of this amount, \$2,984,215 is unassigned and \$1,727,701 has been assigned by the Board; the remainder is restricted and for State, Federal, and local categorical programs, under provisions of these grants or nonspendable.

CAPITAL ASSET AND DEBT ADMINISTRATION

- **Capital Assets.** At the end of fiscal year 2016-17, the District had a total value of \$68,596,622 in capital assets, including land, buildings, building improvements and equipment. Total accumulated depreciation amounted to \$37,869,599.
- **Long-term Debt.** The District ended the year with a total of \$48,333,809 in outstanding financing obligations. The major portions of this amount are for G.O. Bond issuance and pension obligations as part of GASB 68. The obligation for G.O. Bonds is \$19,206,322 and the pension obligations are \$24,819,000, with the remaining obligations are related to capital lease balance.

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District is currently experiencing a decline in enrollment from the 2016-17 figures. However, with new development in the Rio Vista area we are anticipating a slight increase in 2018-19 and then neutral change in enrollment for the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, vendors, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions about this report or additional information requests should be directed to the Chief Business Officer, at 445 Montezuma Street, Rio Vista, CA 94571 or at (707) 374-1715.

BASIC FINANCIAL STATEMENTS

RIVER DELTA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 9,396,271
Receivables	1,037,943
Stores inventory	8,865
Non-depreciable capital assets (Note 4)	447,832
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>30,279,191</u>
Total assets	<u>41,170,102</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	7,960,130
Deferred outflow from advance refunding of debt	<u>240,057</u>
Total deferred outflows of resources	<u>8,200,187</u>
LIABILITIES	
Accounts payable	1,249,787
Unearned revenue	101,170
Long-term liabilities (Note 5):	
Due within one year	2,304,755
Due after one year	<u>46,029,054</u>
Total liabilities	<u>49,684,766</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>835,000</u>
NET POSITION	
Net investment in capital assets	15,212,228
Restricted:	
Legally restricted programs	1,132,772
Capital projects	82,653
Debt service	2,176,786
Unrestricted	<u>(19,753,916)</u>
Total net position	<u>\$ (1,149,477)</u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 15,785,354	\$ 8,885	\$ 2,978,073	\$ 3,197	\$ (12,795,199)
Instruction-related services:					
Supervision of instruction	449,154	-	181,851	-	(267,303)
Instructional library, media and technology	205,740	-	-	-	(205,740)
School site administration	2,385,198	-	139,849	-	(2,245,349)
Pupil services:					
Home-to-school transportation	1,244,348	-	4,636	-	(1,239,712)
Food services	1,063,513	107,946	843,397	-	(112,170)
All other pupil services	1,675,011	-	369,179	-	(1,305,832)
General administration	1,319,881	-	83,133	-	(1,236,748)
Data processing	431	-	8,414	-	7,983
Plant services	2,658,580	293	466,821	-	(2,191,466)
Ancillary services	183,591	-	11,577	-	(172,014)
Interest on long-term debt	323,564	-	-	-	(323,564)
Other outgo	1,692,963	-	5,225	-	(1,687,738)
	<u>\$ 28,987,328</u>	<u>\$ 117,124</u>	<u>\$ 5,092,155</u>	<u>\$ 3,197</u>	<u>(23,774,852)</u>
Total governmental activities	<u>\$ 28,987,328</u>	<u>\$ 117,124</u>	<u>\$ 5,092,155</u>	<u>\$ 3,197</u>	<u>(23,774,852)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes				11,383,596	
Taxes levied for debt service				970,038	
Taxes levied for other specific purposes				377	
Federal and state aid not restricted to specific purposes				6,830,594	
Interest and investment earnings				86,479	
Interagency revenues				359,866	
Miscellaneous				772,194	
				<u>20,403,144</u>	
				<u>(3,371,708)</u>	
				<u>2,222,231</u>	
				<u>\$ (1,149,477)</u>	

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 5,831,304	\$ 2,167,750	\$ 1,372,811	\$ 9,371,865
Cash in banks	813	-	7,858	8,671
Cash in revolving fund	15,001	-	-	15,001
Cash with fiscal agent	-	-	734	734
Receivables	929,364	9,166	99,413	1,037,943
Due from other funds	240,116	-	2,476	242,592
Stores inventory	-	-	8,865	8,865
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,016,598</u>	<u>\$ 2,176,916</u>	<u>\$ 1,492,157</u>	<u>\$ 10,685,671</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,100,351	\$ -	\$ 33,418	\$ 1,133,769
Due to other funds	2,476	-	240,116	242,592
Unearned revenue	101,040	130	-	101,170
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,203,867</u>	<u>130</u>	<u>273,534</u>	<u>1,477,531</u>
Fund balances:				
Nonspendable	15,001	-	8,865	23,866
Restricted	1,017,689	2,176,786	1,209,758	4,404,233
Assigned	1,795,826	-	-	1,795,826
Unassigned	2,984,215	-	-	2,984,215
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>5,812,731</u>	<u>2,176,786</u>	<u>1,218,623</u>	<u>9,208,140</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 7,016,598</u>	<u>\$ 2,176,916</u>	<u>\$ 1,492,157</u>	<u>\$ 10,685,671</u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - Governmental Funds \$ 9,208,140

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$68,596,622 and the accumulated depreciation is \$37,869,599 (Note 4). 30,727,023

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):

General Obligation Bonds	\$ (15,030,951)	
Accreted interest	(3,711,813)	
Unamortized premiums	(463,558)	
Capitalized lease obligations	(1,272,365)	
Other postemployment benefits (Note 9)	(2,849,861)	
Net pension liability (Notes 7 and 8)	(24,819,000)	
Compensated absences	<u>(186,261)</u>	
		(48,333,809)

Deferred outflows of resources resulting from defeasance of debt are not recorded in governmental funds. In governmental activities, for advanced refundings resulting in the defeasance of debt reported in the governmental activities, the difference between the reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources. 240,057

In government 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 (Notes 7 and 8).

Deferred outflows of resources relating to pensions	\$ 7,960,130	
Deferred inflows of resources relating to pensions	<u>(835,000)</u>	
		7,125,130

Unmatured interest on long-term debt is not recognized until the period in which it matures and is paid in governmental funds, however, in the statement of net position it is recognized in the period that it is incurred. (116,018)

Total net position - governmental activities	<u><u>\$ (1,149,477)</u></u>
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See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 8,117,287	\$ -	\$ -	\$ 8,117,287
Local sources	<u>9,333,706</u>	<u>-</u>	<u>-</u>	<u>9,333,706</u>
Total LCFF	<u>17,450,993</u>	<u>-</u>	<u>-</u>	<u>17,450,993</u>
Federal sources	792,743	-	793,721	1,586,464
Other state sources	2,586,076	3,920	124,603	2,714,599
Other local sources	<u>2,402,469</u>	<u>985,854</u>	<u>272,240</u>	<u>3,660,563</u>
Total revenues	<u>23,232,281</u>	<u>989,774</u>	<u>1,190,564</u>	<u>25,412,619</u>
Expenditures:				
Current:				
Certificated salaries	8,517,551	-	26,043	8,543,594
Classified salaries	3,798,188	-	268,947	4,067,135
Employee benefits	3,760,417	-	110,530	3,870,947
Books and supplies	1,546,640	-	42,392	1,589,032
Contract services and operating expenditures	3,242,319	-	822,912	4,065,231
Other outgo	190,533	-	1,489,129	1,679,662
Capital outlay	513,354	-	349,468	862,822
Debt service:				
Principal retirement	-	1,311,735	123,908	1,435,643
Interest	<u>-</u>	<u>297,427</u>	<u>77,167</u>	<u>374,594</u>
Total expenditures	<u>21,569,002</u>	<u>1,609,162</u>	<u>3,310,496</u>	<u>26,488,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,663,279</u>	<u>(619,388)</u>	<u>(2,119,932)</u>	<u>(1,076,041)</u>
Other financing (uses) sources:				
Transfers in	3,116	-	139,476	142,592
Transfers out	<u>(139,476)</u>	<u>-</u>	<u>(3,116)</u>	<u>(142,592)</u>
Total other financing (uses) sources	<u>(136,360)</u>	<u>-</u>	<u>136,360</u>	<u>-</u>
Net change in fund balances	1,526,919	(619,388)	(1,983,572)	(1,076,041)
Fund balances, July 1, 2016	<u>4,285,812</u>	<u>2,796,174</u>	<u>3,202,195</u>	<u>10,284,181</u>
Fund balances, June 30, 2017	<u>\$ 5,812,731</u>	<u>\$ 2,176,786</u>	<u>\$ 1,218,623</u>	<u>\$ 9,208,140</u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balances - Total Governmental Funds	\$ (1,076,041)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	1,005,567
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(2,481,519)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	1,435,643
Accreted interest on capital appreciation bonds is an expense that is not recorded in governmental funds (Note 5).	(494,611)
In governmental funds, gain/losses on refunding of debt are not recognized. In government wide statements, gain/losses on refunding of debt are deferred and amortized over the life of the debt (Note 5).	(27,670)
In governmental funds if debt is issued at a premium, the premium is recognized as other financing sources in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the related debt (Note 5).	406,705
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and actual employer contributions were (Notes 5 and 9).	(756,667)
In the statement of activities, expenses related to compensated absences is measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount paid during the year (Note 5).	(14,127)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Note 7 and 8).	(1,535,594)
Unmatured interest on long-term debt is recognized in the period that it becomes due in the statement of net position, but is expensed when paid in the governmental funds.	<u>166,606</u>
Change in net position of governmental activities	<u>\$ (3,371,708)</u>

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

ASSETS

Cash on hand and in banks (Note 2) \$ 153,918

LIABILITIES

Due to student groups \$ 153,918

See accompanying notes to financial statements.

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

River Delta Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of the respective function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, 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.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year end balances of the Special Reserve for Other than Capital Outlay Projects is combined with the General Fund.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

B - Other Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education and Cafeteria Funds.

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Building, Capital Facilities, County School Facilities Fund, and Capital Projects Funds.

Student Body Funds are agency funds used to account for assets of others for which the District has an agency relationship with the activity of the fund.

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 the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds 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.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditure) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 5,997,493	\$ 1,962,637	\$ 7,960,130
Deferred inflows of resources	\$ 444,000	\$ 391,000	\$ 835,000
Net pension liability	\$ 18,182,000	\$ 6,637,000	\$ 24,819,000
Pension expense	\$ 2,820,049	\$ 722,630	\$ 3,542,679

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The District's Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

Stores Inventory: Stores inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

Compensated Absences: Compensated absences in the amount of \$186,261 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits. The amount to be provided by future operations represents the total amount that would be required to be provided from the general operating revenues of the District if all the benefits were to be paid.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Custodial Relationships: The balance sheet for the Agency Fund represents the assets, liabilities and trust accounts of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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. Accordingly, actual results may differ from those estimates.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represent the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: 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, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2017, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Education has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2017 no formal designation of assignment authority has occurred and the Board of Education retains ultimate authority for assigning fund balance.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 9,371,865	\$ -
Deposits:		
Cash on hand and in banks	8,671	153,918
Revolving cash fund	15,001	-
Cash with fiscal agent	734	-
	\$ 9,396,271	\$ 153,918

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. The District is considered an involuntary participant in an external investment pool. The fair value of the District's investment pool is reported in the financial statements at amounts based upon the District's pro-rata share of 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.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts was \$177,590 and the bank balance was \$178,387, all of which was insured.

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.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 240,116	\$ 2,476
Non-Major Funds:		
Adult Education	-	3,116
Cafeteria	2,476	100,000
Capital Facilities	-	137,000
	<u>\$ 242,592</u>	<u>\$ 242,592</u>

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to support Food Service operations.	\$ 2,476
Transfer from the Adult Education Fund to the General Fund Fund for indirect cost support.	3,116
Transfer from the General Fund to Capital Facilities Fund for debt service payments.	<u>137,000</u>
	<u>\$ 142,592</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Transfers and Additions	Transfers and Deductions	Balance June 30, 2017
Non-depreciable:				
Land	\$ 447,832	\$ -	\$ -	\$ 447,832
Work-in-process	62,221	-	(62,221)	-
Depreciable:				
Buildings	56,715,176	730,434	-	57,445,610
Improvement of sites	7,278,128	-	-	7,278,128
Equipment	<u>3,138,049</u>	<u>337,354</u>	<u>(50,351)</u>	<u>3,425,052</u>
Totals, at cost	<u>67,641,406</u>	<u>1,067,788</u>	<u>(112,572)</u>	<u>68,596,622</u>
Less accumulated depreciation:				
Buildings	(29,723,564)	(1,863,375)	-	(31,586,939)
Improvement of sites	(3,524,918)	(369,118)	-	(3,894,036)
Equipment	<u>(2,189,949)</u>	<u>(249,026)</u>	<u>50,351</u>	<u>(2,388,624)</u>
Total accumulated depreciation	<u>(35,438,431)</u>	<u>(2,481,519)</u>	<u>50,351</u>	<u>(37,869,599)</u>
Capital assets, net	<u>\$ 32,202,975</u>	<u>\$ (1,413,731)</u>	<u>\$ (62,221)</u>	<u>\$ 30,727,023</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,743,929
School site administration	578,787
Home-to-school transportation	87,664
Food services	7,256
General administration	45,969
Centralized data processing	431
Plant services	<u>17,483</u>
Total depreciation expense	<u>\$ 2,481,519</u>

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds "Series 2005 Bonds": On March 17, 2005, the District issued Series 2005 General Obligation Bonds in the amounts of \$8,249,979 and \$3,999,987 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.5% and 4.375%, respectively, per annum from the date of issuance and are both payable on February 1 and August 1 of each year. The Capital Appreciation Serial Bonds accrue interest from the date of issuance and compound semiannually on February 1 and August 1 of each year through August 1, 2029.

The following is a schedule of future payments on the Series 2005 Bonds.

Year Ending June 30,	Principal	Interest	Total
2023-2027	\$ 329,421	\$ 2,020,281	\$ 2,349,702
2028-2030	<u>620,545</u>	<u>3,009,753</u>	<u>3,630,298</u>
	<u>\$ 949,966</u>	<u>\$ 5,030,034</u>	<u>\$ 5,980,000</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds "Series 2006 Bonds": On December 5, 2006 the District issued Series 2006 Current Interest and Capital Appreciation General Obligation Bonds in the amount of \$5,749,994 and \$1,699,994, respectively, to improve or construct school facilities. The Bonds accrue interest up to a maximum of 5.0% and 4.0%, respectively, per annum from the date of issuance and are both payable on February 1 and August 1 of each year through August 2031.

The following is a schedule of future payments on the Series 2006 Bonds.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 635,000	\$ 72,300	\$ 707,300
2019	690,000	45,800	735,800
2020	740,000	17,200	757,200
2021	60,000	1,200	61,200
2022	-	-	-
2023-2027	92,085	157,686	249,771
2028-2032	<u>532,909</u>	<u>1,400,127</u>	<u>1,933,036</u>
	<u>\$ 2,749,994</u>	<u>\$ 1,694,313</u>	<u>\$ 4,444,307</u>

General Obligation Bonds "Series 2008 Bonds": 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 Serial Bonds have an interest rate of 5.806% with principal payments beginning on August 1, 2032 and continuing through April 1, 2048.

The following is a schedule of future payments on the Series 2008 Bonds.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028-2032	\$ -	\$ 309,099	\$ 309,099
2033-2037	995,863	3,560,893	4,556,756
2038-2042	983,836	4,543,323	5,527,159
2043-2047	954,566	5,786,243	6,740,809
2048	<u>365,750</u>	<u>2,011,009</u>	<u>2,376,759</u>
	<u>\$ 3,300,015</u>	<u>\$ 16,210,567</u>	<u>\$ 19,510,582</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds "Series 2014 Bonds": On November 4, 2014, the District issued Series 2014 General Obligation Bonds in the amount of \$5,550,800 to refund the Election of the 2004, Series 2005 bonds. The Capital Appreciation Serial Bonds have an interest rate of 5.806% with payments beginning on November 4, 2014 and continuing through August 1, 2025.

The following is a schedule of future payments on the Series 2014 Bonds.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 452,783	\$ 121,274	\$ 574,057
2019	473,840	115,375	589,215
2020	499,957	107,374	607,331
2021	529,032	97,023	626,055
2022	561,554	83,984	645,538
2023-2026	<u>2,263,014</u>	<u>153,063</u>	<u>2,416,077</u>
	<u>\$ 4,780,180</u>	<u>\$ 678,093</u>	<u>\$ 5,458,273</u>

General Obligation Bonds "Series 2015 Bonds": On February 25, 2015, the District issued Series 2015 General Obligation Bonds in the amount of \$3,510,000 to refund the Election of the 2004, Series 2006 bonds. The Capital Appreciation Serial Bonds have an interest rate of 5.806% and mature through August 1, 2024.

The following is a schedule of future payments on the Series 2015 Bonds.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 310,078	\$ 68,872	\$ 378,950
2019	332,348	64,234	396,582
2020	358,987	58,499	417,486
2021	385,275	51,487	436,762
2022	411,469	43,026	454,495
2023-2025	<u>1,452,639</u>	<u>61,115</u>	<u>1,513,754</u>
	<u>\$ 3,250,796</u>	<u>\$ 347,233</u>	<u>\$ 3,598,029</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases buildings, vehicles and equipment under various capitalized lease agreements, with original cost of \$2,677,746 and accumulated depreciation at June 30, 2017 totaling \$1,318,388.

At June 30, 2017, the District's capitalized lease obligations were as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2018	\$ 201,075
2019	201,075
2020	201,075
2021	201,075
2022	201,076
2023-2027	<u>603,224</u>
	1,608,600
Less amount representing interest	<u>(336,235)</u>
	<u><u>\$ 1,272,365</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is shown below:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 16,342,686	\$ -	\$ 1,311,735	\$ 15,030,951	\$ 1,397,861
Accreted interest	3,217,202	494,611	-	3,711,813	524,634
Unamortized premiums	870,263	-	406,705	463,558	65,243
Capitalized lease obligations	1,396,273	-	123,908	1,272,365	130,756
Other postemployment benefits (Note 9)	2,093,194	868,077	111,410	2,849,861	-
Net pension liability (Notes 7 and 8)	16,348,000	8,471,000	-	24,819,000	-
Compensated absences	<u>172,134</u>	<u>14,127</u>	<u>-</u>	<u>186,261</u>	<u>186,261</u>
Totals	<u><u>\$ 40,439,752</u></u>	<u><u>\$ 9,847,815</u></u>	<u><u>\$ 1,953,758</u></u>	<u><u>\$ 48,333,809</u></u>	<u><u>\$ 2,304,755</u></u>

Payments on the capitalized lease obligations are made from the Capital Facilities Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Revolving cash	\$ 15,001	\$ -	\$ -	\$ 15,001
Stores inventory	<u>-</u>	<u>-</u>	<u>8,865</u>	<u>8,865</u>
Subtotal nonspendable	<u>15,001</u>	<u>-</u>	<u>8,865</u>	<u>23,866</u>
<u>Restricted:</u>				
Legally restricted programs	1,017,689	-	115,083	1,132,772
Capital projects	-	-	1,094,675	1,094,675
Debt service	<u>-</u>	<u>2,176,786</u>	<u>-</u>	<u>2,176,786</u>
Subtotal restricted	<u>1,017,689</u>	<u>2,176,786</u>	<u>1,209,758</u>	<u>4,404,233</u>
<u>Assigned:</u>				
Additional 2% reserve	<u>1,795,826</u>	<u>-</u>	<u>-</u>	<u>1,795,826</u>
Subtotal assigned	<u>1,795,826</u>	<u>-</u>	<u>-</u>	<u>1,795,826</u>
<u>Unassigned:</u>				
Designated for economic uncertainty	1,085,268	-	-	1,085,268
Unassigned	<u>1,898,947</u>	<u>-</u>	<u>-</u>	<u>1,898,947</u>
Subtotal unassigned	<u>2,984,215</u>	<u>-</u>	<u>-</u>	<u>2,984,215</u>
Total fund balances	<u>\$ 5,812,731</u>	<u>\$ 2,176,786</u>	<u>\$ 1,218,623</u>	<u>\$ 9,208,140</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service 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 survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

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 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$974,493 to the plan for the fiscal year ended June 30, 2017.

State - 8.828 percent 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 specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.
- (3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	18,182,000
State's proportionate share of the net pension liability associated with the District		<u>10,351,000</u>
Total	\$	<u><u>28,533,000</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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 school Districts and the State. At June 30, 2016, the District's proportion was 0.022 percent, which was an increase of 0.005 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,820,049 and revenue of \$684,006 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 444,000
Net differences between projected and actual earnings on investments	1,445,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,578,000	-
Contributions made subsequent to measurement date	<u>974,493</u>	<u>-</u>
Total	<u><u>\$ 5,997,493</u></u>	<u><u>\$ 444,000</u></u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$974,493 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,		
2018	\$	614,809
2019	\$	614,809
2020	\$	1,233,333
2021	\$	1,062,317
2022	\$	520,067
2023	\$	533,665

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. 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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense 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.

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 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$ 26,167,000</u>	<u>\$ 18,182,000</u>	<u>\$ 11,549,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$576,637 to the plan for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$6,637,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 20, 2015. 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 school Districts. At June 30, 2016, the District’s proportion was 0.034 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2015.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2017 the District recognized pension expense of \$722,630. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 285,000	\$ -
Changes of assumptions	-	199,000
Net differences between projected and actual earnings on investments	1,030,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	71,000	192,000
Contributions made subsequent to measurement date	<u>576,637</u>	<u>-</u>
Total	<u>\$ 1,962,637</u>	<u>\$ 391,000</u>

\$576,637 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 25,833
2019	\$ 176,833
2020	\$ 523,534
2021	\$ 268,800

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2016 measurement date. 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 Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan 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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. 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 Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 9,903,000</u>	<u>\$ 6,637,000</u>	<u>\$ 3,918,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the benefits described in Notes 7 and 8, the District established an Other Postemployment Benefits Plan which is a single-employer defined benefit healthcare plan to provide other post employment benefits to District employees who retire after attaining age 55 with at least 20 years of service. Benefits are provided for retirees age 55 to 65. The District pays up to \$300 per month for health benefits of retirees.

The District participates in the California School Boards Association (CSBA) GASB 45 Solutions Program to pre-fund OPEB liabilities. The CSBA GASB 45 Solutions Program is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by CSBA. A copy of the aggregated CSBA GASB 45 Solutions Program annual financial report may be obtained by contacting Public Agency Retirement Services at 800.540.6369, extension 105. CSBA GASB 45 Solutions Program serves as an irrevocable trust, to ensure that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees.

The District provides these benefits on a pay-as-you-go basis, with the amount to fund the actuarial accrued liability as determined annually by the Board of Education. During the year ended June 30, 2017, the District made a discretionary contribution of \$111,410 into the CSBA GASB 45 Solutions Program. The CSBA GASB 45 Solutions Program agent plan consists of an aggregation of single employer plans under the terms of which separate accounts will be maintained for each employer. The District’s assets will provide benefits only under the District’s plan. Separate financial statements are not prepared for the District’s Single Employer Plan.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 891,055
Interest on net OPEB obligation	96,287
Adjustment to annual required contribution	<u>(119,265)</u>
Annual OPEB cost	868,077
Contributions made	<u>(111,410)</u>
Increase in net OPEB obligation	756,667
Net OPEB obligation - beginning of year	<u>2,093,194</u>
Net OPEB obligation - end of year	<u><u>\$ 2,849,861</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2015	\$ 426,486	24.6%	\$ 1,776,658
June 30, 2016	\$ 425,199	25.6%	\$ 2,093,194
June 30, 2017	\$ 868,077	12.8%	\$ 2,849,861

As of July 1, 2016, the most recent actuarial valuation date, the plan was 5% funded. The actuarial accrued liability for benefits was \$5.8 million, resulting in an unfunded actuarial liability (UAAL) of \$5.5 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$11.3 million, and the ratio of the UAAL to the covered payroll was 48.2 percent. The OPEB plan is currently operating as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.85 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 22 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

NOTE 10 - JOINT POWERS AGREEMENT

River Delta Unified School District participates in a joint venture under a joint powers agreement with Schools Insurance Authority (SIA). The relationship between River Delta Unified School District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

SIA arranges for and provides property, liability, workers' compensation, dental and vision insurance coverage for its members. The JPA's governing board consist 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 is obligated to pay an amount commensurate with the level of coverage requested and may be subject to assessments. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

The following is a summary of condensed financial information of Schools Insurance Authority for the year ended June 30, 2017:

Total assets	\$ 140,450,093
Deferred outflow of resources	\$ 1,580,594
Total liabilities	\$ 67,894,697
Deferred inflow of resources	\$ 253,160
Total net position	\$ 73,882,830
Total revenue	\$ 54,917,755
Total expenses	\$ 47,903,083
Change in net position	\$ 7,014,672

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or 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.

REQUIRED SUPPLEMENTARY INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
LCFF:				
State apportionment	\$ 8,358,794	\$ 8,358,794	\$ 8,117,287	\$ (241,507)
Local sources	<u>9,005,621</u>	<u>9,083,665</u>	<u>9,333,706</u>	<u>250,041</u>
Total LCFF	<u>17,364,415</u>	<u>17,442,459</u>	<u>17,450,993</u>	<u>8,534</u>
Federal sources	926,034	1,039,194	792,743	(246,451)
Other state sources	2,771,031	2,916,506	2,586,076	(330,430)
Other local sources	<u>1,781,817</u>	<u>2,507,472</u>	<u>2,402,469</u>	<u>(105,003)</u>
Total revenues	<u>22,843,297</u>	<u>23,905,631</u>	<u>23,232,281</u>	<u>(673,350)</u>
Expenditures:				
Current:				
Certificated salaries	8,629,206	8,532,138	8,517,551	14,587
Classified salaries	3,874,672	3,831,643	3,798,188	33,455
Employee benefits	4,260,018	3,786,142	3,760,417	25,725
Books and supplies	1,746,941	1,664,184	1,546,640	117,544
Contract services and operating expenditures	3,912,234	3,278,988	3,242,319	36,669
Other outgo	65,000	190,533	190,533	-
Capital outlay	<u>352,858</u>	<u>514,291</u>	<u>513,354</u>	<u>937</u>
Total expenditures	<u>22,840,929</u>	<u>21,797,919</u>	<u>21,569,002</u>	<u>228,917</u>
Excess (deficiency) of revenues under (over) expenditures	<u>2,368</u>	<u>2,107,712</u>	<u>1,663,279</u>	<u>(444,433)</u>
Other financing (uses) sources:				
Transfers in	-	3,116	3,116	-
Transfers out	<u>(137,000)</u>	<u>(139,476)</u>	<u>(139,476)</u>	<u>-</u>
Total other financing (uses) sources	<u>(137,000)</u>	<u>(136,360)</u>	<u>(136,360)</u>	<u>-</u>
Net change in fund balance	(134,632)	1,971,352	1,526,919	(444,433)
Fund balance, July 1, 2016	<u>4,285,812</u>	<u>4,285,812</u>	<u>4,285,812</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 4,151,180</u>	<u>\$ 6,257,164</u>	<u>\$ 5,812,731</u>	<u>\$ (444,433)</u>

See note to required supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2017

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ -	\$ 3,300,000	\$ 3,300,000	0%	\$ 11,107,391	29.7%
July 1, 2010	\$ 158,231	\$ 3,708,075	\$ 3,549,844	4%	\$ 11,962,532	29.7%
July 1, 2012	\$ 158,231	\$ 4,263,347	\$ 4,105,116	4%	\$ 11,458,752	35.8%
January 1, 2015	\$ 233,286	\$ 3,607,673	\$ 4,073,551	6%	\$ 11,144,772	36.6%
July 1, 2016	\$ 288,786	\$ 5,756,563	\$ 5,467,777	5%	\$ 11,333,682	48.2%

See note to required supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.017%	0.017%	0.022%
District's proportionate share of the net pension liability	\$ 9,808,000	\$ 11,485,000	\$ 18,182,000
State's proportionate share of the net pension liability associated with the District	<u>5,923,000</u>	<u>6,074,000</u>	<u>10,351,000</u>
Total net pension liability	<u>\$ 15,731,000</u>	<u>\$ 17,559,000</u>	<u>\$ 28,533,000</u>
District's covered payroll	\$ 7,476,000	\$ 7,918,000	\$ 11,203,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.19%	145.05%	162.30%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.00%

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.034%	0.033%	0.034%
District's proportionate share of the net pension liability	\$ 3,806,000	\$ 4,863,000	\$ 6,637,000
District's covered payroll	\$ 3,519,000	\$ 3,652,000	\$ 4,032,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.16%	133.16%	164.61%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

The amounts presented for each fiscal year were determined as of the year-end that occurred on year prior.

All years prior to 2015 are not available.

See note to required supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 703,134	\$ 1,202,094	\$ 974,493
Contributions in relation to the contractually required contribution	<u>\$ (703,134)</u>	<u>\$ (1,202,094)</u>	<u>\$ (974,493)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 7,918,000	\$ 11,203,000	\$ 7,746,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 429,930	\$ 477,630	\$ 576,637
Contributions in relation to the contractually required contribution	<u>\$ (429,930)</u>	<u>\$ (477,630)</u>	<u>\$ (576,637)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 3,652,000	\$ 4,032,000	\$ 4,152,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

See note to required supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Other Postemployment Benefits Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in the June 30, 2013, 2014 and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

RIVER DELTA UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2017

	Adult Education Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Capital Facilities Fund	Capital Projects Fund	Total
ASSETS							
Cash in County Treasury	\$ 25,838	\$ 118,634	\$ 1,012,022	\$ 2,100	\$ 182,090	\$ 32,127	\$ 1,372,811
Cash in banks	-	7,858	-	-	-	-	7,858
Cash with fiscal agent	-	-	734	-	-	-	734
Receivables	127	92,527	5,500	1,097	-	162	99,413
Due from other funds	-	2,476	-	-	-	-	2,476
Stores inventory	-	8,865	-	-	-	-	8,865
Total assets	<u>\$ 25,965</u>	<u>\$ 230,360</u>	<u>\$ 1,018,256</u>	<u>\$ 3,197</u>	<u>\$ 182,090</u>	<u>\$ 32,289</u>	<u>\$ 1,492,157</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,620	\$ 26,641	\$ -	\$ -	\$ 4,157	\$ -	\$ 33,418
Due to other funds	3,116	100,000	-	-	137,000	-	240,116
Total liabilities	<u>5,736</u>	<u>126,641</u>	<u>-</u>	<u>-</u>	<u>141,157</u>	<u>-</u>	<u>273,534</u>
Fund balances:							
Nonspendable	-	8,865	-	-	-	-	8,865
Restricted	20,229	94,854	1,018,256	3,197	40,933	32,289	1,209,758
Total fund balances	<u>20,229</u>	<u>103,719</u>	<u>1,018,256</u>	<u>3,197</u>	<u>40,933</u>	<u>32,289</u>	<u>1,218,623</u>
Total liabilities and fund balances	<u>\$ 25,965</u>	<u>\$ 230,360</u>	<u>\$ 1,018,256</u>	<u>\$ 3,197</u>	<u>\$ 182,090</u>	<u>\$ 32,289</u>	<u>\$ 1,492,157</u>

RIVER DELTA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2017

	Adult Education Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Capital Facilities Fund	Capital Projects Fund	Total
Revenues:							
Federal sources	\$ -	\$ 793,721	\$ -	\$ -	\$ -	\$ -	\$ 793,721
Other state sources	78,718	45,885	-	-	-	-	124,603
Other local sources	<u>242</u>	<u>114,415</u>	<u>44,593</u>	<u>3,197</u>	<u>109,471</u>	<u>322</u>	<u>272,240</u>
Total revenues	<u>78,960</u>	<u>954,021</u>	<u>44,593</u>	<u>3,197</u>	<u>109,471</u>	<u>322</u>	<u>1,190,564</u>
Expenditures:							
Current:							
Certificated salaries	26,043	-	-	-	-	-	26,043
Classified salaries	4,392	264,555	-	-	-	-	268,947
Employee benefits	5,674	104,856	-	-	-	-	110,530
Books and supplies	24,109	16,504	1,779	-	-	-	42,392
Contract services and operating expenditures	27,800	575,396	161,622	-	54,163	3,931	822,912
Other outgo	-	-	-	1,489,129	-	-	1,489,129
Capital Outlay	-	-	349,468	-	-	-	349,468
Debt service:							
Principal retirement	-	-	-	-	123,908	-	123,908
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,167</u>	<u>-</u>	<u>77,167</u>
Total expenditures	<u>88,018</u>	<u>961,311</u>	<u>512,869</u>	<u>1,489,129</u>	<u>255,238</u>	<u>3,931</u>	<u>3,310,496</u>
Deficiency of Revenues under expenditures	<u>(9,058)</u>	<u>(7,290)</u>	<u>(468,276)</u>	<u>(1,485,932)</u>	<u>(145,767)</u>	<u>(3,609)</u>	<u>(2,119,932)</u>
Other financing (uses) sources:							
Transfers in	-	2,476	-	-	137,000	-	139,476
Transfers out	<u>(3,116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,116)</u>
Total other financing (uses) sources	<u>(3,116)</u>	<u>2,476</u>	<u>-</u>	<u>-</u>	<u>137,000</u>	<u>-</u>	<u>136,360</u>
Net change in fund balances	(12,174)	(4,814)	(468,276)	(1,485,932)	(8,767)	(3,609)	(1,983,572)
Fund balances, July 1, 2016	<u>32,403</u>	<u>108,533</u>	<u>1,486,532</u>	<u>1,489,129</u>	<u>49,700</u>	<u>35,898</u>	<u>3,202,195</u>
Fund balances, June 30, 2017	<u>\$ 20,229</u>	<u>\$ 103,719</u>	<u>\$ 1,018,256</u>	<u>\$ 3,197</u>	<u>\$ 40,933</u>	<u>\$ 32,289</u>	<u>\$ 1,218,623</u>

RIVER DELTA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	<u>Balance</u> July 1, 2016	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2017
Student Body				
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 120,861	\$ 282,073	\$ 289,007	\$ 113,927
Liabilities:				
Due to student groups	\$ 120,861	\$ 282,073	\$ 289,007	\$ 113,927
<u>Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 28,094	\$ 24,063	\$ 26,111	\$ 26,046
Liabilities:				
Due to student groups	\$ 28,094	\$ 24,063	\$ 26,111	\$ 26,046
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 17,033	\$ 8,605	\$ 11,693	\$ 13,945
Liabilities:				
Due to student groups	\$ 17,033	\$ 8,605	\$ 11,693	\$ 13,945
Total Student Body Funds				
Assets:				
Cash on hand and in banks	\$ 165,988	\$ 314,741	\$ 326,811	\$ 153,918
Liabilities:				
Due to student groups	\$ 165,988	\$ 314,741	\$ 326,811	\$ 153,918

RIVER DELTA UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

River Delta Unified School District was established on July 1, 1967 and is comprised of an area of approximately 500 square miles in Yolo, Sacramento and Solano Counties. There were no changes in the boundaries of the District during the year. The District currently operates five elementary schools (D.H. White Elementary, Isleton Elementary, Walnut Grove Elementary, Bates Elementary, and Delta Elementary Charter Schools), two middle schools (Riverview Middle and Clarksburg Middle Schools), two high schools (Rio Vista High and Delta High Schools), one continuation high school (Mokelumne High School), one adult school (Wind River School), one independent study school (River Delta High/Elementary School) and one community day school (River Delta-Community Day School).

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Alicia Fernandez	President	December 2018
Don Olson	Vice President	December 2020
Marilyn Riley	Clerk	December 2020
David Bettencourt	Member	December 2018
Sarah Donnelly	Member	December 2018
Chris Elliott	Member	December 2020
Katy Maghoney	Member	December 2018

ADMINISTRATION

Don Beno
Superintendent

Elizabeth Keema-Aston
Chief Business Officer

Craig Hamblin
Director of Maintenance Operations and Transportation

Kathy Wright
Director of Education Services

Bonnie Kauzlarich
Director, Personnel Services

Jennifer Gaston
Executive Assistant to the Superintendent
and Board of Trustees

RIVER DELTA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2017

	Second Period Report (Original)	Second Period Report (Audited)*	Annual Report
Certificate #	<u>C9026128</u>	<u>014AF8EE</u>	<u>88E5E7AA</u>
Elementary:			
Transitional Kindergarten through Third	488	488	488
Fourth through Six	370	370	369
Seventh through Eighth	350	350	349
Special Education	<u>3</u>	<u>3</u>	<u> </u>
Total Elementary	<u>1,211</u>	<u>1,211</u>	<u>1,206</u>
Secondary:			
Ninth through Twelfth	608	609	605
Special Education	<u>5</u>	<u>5</u>	<u> </u>
Total Secondary	<u>613</u>	<u>614</u>	<u>605</u>
Total ADA	<u><u>1,824</u></u>	<u><u>1,825</u></u>	<u><u>1,811</u></u>

* Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of records.

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2017

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	54,169	180	In Compliance
Grade 1	50,400	54,169	180	In Compliance
Grade 2	50,400	56,134	180	In Compliance
Grade 3	50,400	56,134	180	In Compliance
Grade 4	54,000	56,079	180	In Compliance
Grade 5	54,000	56,079	180	In Compliance
Grade 6	54,000	57,225	180	In Compliance
Grade 7	54,000	57,225	180	In Compliance
Grade 8	54,000	57,225	180	In Compliance
Grade 9	65,150 *	65,338	180	In Compliance
Grade 10	65,150 *	65,338	180	In Compliance
Grade 11	65,150 *	65,338	180	In Compliance
Grade 12	65,150 *	65,338	180	In Compliance

* Per a November 17, 1998 letter from the California Department of Education, the District must permanently maintain an increased instructional time for grades 9 through 12 for a total of 65,150 minutes annually, beginning with the 1998-99 school year.

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California</u>			
<u>Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 295,316
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	13682	22,305
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	17,475
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	15197	<u>12,750</u>
	Subtotal Special Education Cluster		<u>347,846</u>
84.010	ESEA: Title I Part A, Basic Grants Low-Income and Neglected	14329	307,336
84.365	ESEA: Title II, English Learner Program	14346	60,259
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>77,302</u>
	Total U.S. Department of Education		<u>792,743</u>
<u>U.S. Department of Agriculture - Passed through California</u>			
<u>Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition School Programs	13524	805,103
10.559	Child Nutrition Summer Food Service Program	13004	<u>12,847</u>
	Subtotal Child Nutrition Cluster		<u>817,950</u>
10.558	Child and Adult Care Food Program (CACFP) Claims	13393	<u>143,361</u>
	Total U.S. Department of Agriculture		<u>961,311</u>
	Total Federal Programs		<u>\$ 1,754,054</u>

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2017
UNAUDITED

	(Budgeted) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 22,351,702	\$ 23,235,397	\$ 22,546,141	\$ 20,613,422
Expenditures	22,635,114	21,569,002	20,526,985	19,644,886
Other uses and transfers out	<u>135,000</u>	<u>139,476</u>	<u>406,329</u>	<u>107,384</u>
Total outgo	<u>22,770,114</u>	<u>21,708,478</u>	<u>20,933,314</u>	<u>19,752,270</u>
Changes in fund balance	<u>\$ (418,412)</u>	<u>\$ 1,526,919</u>	<u>\$ 1,612,827</u>	<u>\$ 861,152</u>
Ending fund balance	<u>\$ 5,394,319</u>	<u>\$ 5,812,731</u>	<u>\$ 4,285,812</u>	<u>\$ 2,672,985</u>
Available reserves	<u>\$ 2,439,941</u>	<u>\$ 2,984,215</u>	<u>\$ 1,832,748</u>	<u>\$ 1,629,408</u>
Designated for economic uncertainties	<u>\$ 1,138,506</u>	<u>\$ 1,085,268</u>	<u>\$ 1,046,665</u>	<u>\$ 592,568</u>
Undesignated fund balance	<u>\$ 1,301,435</u>	<u>\$ 1,898,947</u>	<u>\$ 786,083</u>	<u>\$ 1,036,840</u>
Available reserves as percentages of total outgo	<u>10.7%</u>	<u>13.7%</u>	<u>8.8%</u>	<u>8.2%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 46,029,054</u>	<u>\$ 48,333,809</u>	<u>\$ 40,439,752</u>	<u>\$ 38,473,394</u>
Average daily attendance at P-2	<u>1,818</u>	<u>1,825</u>	<u>1,871</u>	<u>1,908</u>

The General Fund fund balance has increased by \$4,000,898 over the past three years. The fiscal year 2017-2018 budget projects a decrease of \$418,412. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in each of the past three years, but anticipates incurring an operating deficit during the fiscal year 2017-2018.

Total long-term liabilities have increased by \$9,860,415 over the past two years.

Average daily attendance has decreased by 83 over the past two years. A decrease of 7 ADA is anticipated during fiscal year 2017-18.

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2017

Charter Schools Chartered by District

0853 - Delta Elementary Charter School

Included in District
Financial Statements, or
Separate Report

Separate Report

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2017

	Academic and Support <u>Services</u>
Revenues:	
Other local sources	\$ <u>273,829</u>
Expenditures:	
Certificated salaries	17,739
Classified salaries	168,725
Employee benefits	57,148
Books and supplies	9,125
Contract services and operating expenditures	10,201
Indirect costs	<u>10,891</u>
	<u>273,829</u>
Deficiency of revenues under expenditures	<u>\$ -</u>

See accompanying notes to supplementary information.

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of River Delta Unified School District, and is presented on the accrual basis of accounting. 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)*.

Expenditures are recognized following as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenue, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 1,586,464
Add:		
Child Nutrition School Programs funds spent from prior year awards	10.555	<u>167,590</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 1,754,054</u>

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

G - Schedule of First 5 Revenues and Expenditures

This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2017, the District did not adopt such a program.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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

Report on Compliance with State Laws and Regulations

We have audited River Delta Unified School District's compliance with the types of compliance requirements described in the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide) applicable to the state laws and regulations listed below for the year ended June 30, 2017.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform testing of Independent Study because the Independent Study ADA was below the materiality level that requires testing.

We did not perform testing of Continuation Education because the Continuation Education ADA was below the materiality level that requires testing.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program.

We did not perform any procedures related to Juvenile Court Schools because the District is not a County Office of Education.

The District does not operate any Middle or Early College High Schools; therefore we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures relating to the Before School Education and Safety Program.

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform any procedures related to the Independent Study - Course Based program.

The District submitted all required immunization assessment reports to the Department of Public Health; therefore, we did not perform any procedures related to this requirement

We did not perform any procedures related to Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes - Classroom-Based for Charter Schools, and Charter School Facility Grant Program, because the District does not operate any Charter Schools.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on River Delta Unified School District's compliance with state laws and regulations as listed above 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on River Delta Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about River Delta Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of River Delta Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, River Delta Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2017. Further, based on our examination, for items not tested, nothing came to our attention to indicate that River Delta Unified School District had not complied with the state laws and regulations.

(Continued)

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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 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 Education
River Delta Unified School District
Rio Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Delta Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise River Delta Unified School District's basic 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 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 River Delta Unified School District's internal control. Accordingly, we do not express an opinion on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Delta Unified School District's financial statements are free of 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*.

Purpose of this Report

The purpose of this 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 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.



Crowe Horwath LLP

Sacramento, California
December 8, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE FIRST 5 SACRAMENTO COUNTY PROGRAM

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

Report on Compliance

We have audited River Delta Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for River Delta Unified School District's First 5 Sacramento County Program 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 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about River Delta Unified 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 River Delta Unified School District's compliance with those requirements.

Opinion

In our opinion, River Delta Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the requirements of the First 5 Sacramento County Program. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
December 8, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited River Delta Unified School District's compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of River Delta Unified School District's major federal programs for the year ended June 30, 2017. River Delta Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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 River Delta Unified School 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 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 River Delta Unified 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 River Delta Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, River Delta Unified 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, 2017.

(Continued)

Report on Internal Control Over Compliance

Management of River Delta Unified 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 River Delta Unified School 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 River Delta Unified School 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 8, 2017

FINDINGS AND RECOMMENDATIONS

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X 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 Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs tested:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
10.555, 10.559	Child Nutrition 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

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

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

RIVER DELTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

RIVER DELTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No findings reported in the prior year.		