

**ROSS VALLEY SCHOOL DISTRICT
COUNTY OF MARIN
SAN ANSELMO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Notes to the Basic Financial Statements	22
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	59
Schedule of Changes in Total OPEB Liability and Related Ratios	60
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	61
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	62
Schedule of Contributions - CalSTRS	63
Schedule of Contributions - CalPERS	64
Notes to Required Supplementary Information	65

ROSS VALLEY SCHOOL DISTRICT

JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Education/Administration	67
Combining Statements:	
Combining Balance Sheet - Non-Major Governmental Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	69
Schedule of Average Daily Attendance	70
Schedule of Instructional Time	71
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	72
Schedule of Financial Trends and Analysis	73
Notes to Supplementary Information	74
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	75
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	81
Section II - Financial Statement Findings	82
Section III - State Award Findings and Questioned Costs	83
Status of Prior Year Recommendations	84

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ross Valley School District
San Anselmo, 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 Ross Valley School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government 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 unmodified and adverse audit opinions.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reported.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 Ross Valley School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 59, schedule of changes in total OPEB liability and related ratios on page 60, schedules of the proportionate share of the net pension liabilities on pages 61 and 62, and schedules of contributions on pages 63 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of Ross Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ross Valley School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross Valley School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

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

(PREPARED BY DISTRICT MANAGEMENT)

This section of Ross Valley School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- During fiscal year 2017-18, the District implemented Governmental Accounting Standard Board Statement No. 75 (GASB 75), which changed the financial reporting for other post employment benefits (OPEB). The new standard requires the District to report the total OPEB liability on the Statement of Net Position.
- The District's overall financial status weakened during the course of the year as total net position decreased 7.4%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$1,134,436.
- Capital assets, net of depreciation, increased \$3,567,287, due to the current year addition of \$5,596,680 of new capital assets and improvements, and current year recognition of \$2,029,393 of depreciation expense.
- Total long-term liabilities increased \$939,726, due primarily to the current year increase in the net pension liabilities related to the District's participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) decreased from 2,136 ADA in fiscal year 2016-17, down to 2,002 ADA in fiscal year 2017-18, a decrease of 134 ADA (6.3%).
- During fiscal year 2017-18, the District's General Fund incurred an operating deficit of \$330,445 and reported a \$205,334 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, General Fund expenditures and other financing uses totaled \$25,174,786. At June 30, 2018, the District had available reserves of \$3,276,364, which represents a reserve of 13%.

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

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

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

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

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

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

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of Ross Valley School District are the General Fund, Bond Interest and Redemption Fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District has no funds of this type.

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

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's overall financial status weakened during the course of the year as total net position decreased 7.4%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2017	2018
<u>Assets</u>		
Deposits and Investments	\$ 24,754,381	\$ 19,106,615
Receivables	1,029,943	1,251,415
Capital Assets, net	46,929,268	50,496,555
Total Assets	<u>72,713,592</u>	<u>70,854,585</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	5,002,315	7,687,791
Deferred Amount on Refunding	64,178	43,363
Total Deferred Outflows of Resources	<u>5,066,493</u>	<u>7,731,154</u>
<u>Liabilities</u>		
Current	4,142,795	4,177,920
Long-term *	87,000,839	88,021,088
Total Liabilities *	<u>91,143,634</u>	<u>92,199,008</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	1,960,603	2,845,319
<u>Net Position</u>		
Net Investment in Capital Assets	5,630,053	5,312,022
Restricted for Capital Projects	218,700	876,286
Restricted for Debt Service (Deficit)	(5,101,867)	(5,734,370)
Restricted for Educational Programs	153,927	100,973
Restricted for Other Purposes	30,460	30,460
Unrestricted (Deficit) *	<u>(16,255,425)</u>	<u>(17,043,959)</u>
Total Net Position (Deficit) *	<u>\$ (15,324,152)</u>	<u>\$ (16,458,588)</u>
<i>Table includes financial data of the combined governmental funds</i>		
<i>* Prior year balances have been adjusted to reflect the restatement discussed in Note 18</i>		

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

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$1,134,436.

<u>Comparative Statement of Changes in Net Position</u>		
	Governmental Activities	
	2017	2018
<u>Program Revenues</u>		
Charges for Services	\$ 228,061	\$ 220,959
Operating Grants & Contributions	3,912,987	4,006,466
Capital Grants & Contributions	0	442,549
<u>General Revenues</u>		
Taxes Levied	17,100,502	16,372,549
Federal & State Aid	7,449,636	7,674,290
Other Revenues	678,408	671,338
Total Revenues	29,369,594	29,388,151
<u>Expenses</u>		
Instruction	17,701,382	17,228,540
Instruction-Related Services	2,338,526	2,491,316
Pupil Services	2,626,186	2,611,444
General Administration	2,129,695	2,415,980
Plant Services	2,485,738	2,685,233
Interest on Long-Term Debt	2,496,872	2,645,733
Other Expenses	677,285	444,341
Total Expenses	30,455,684	30,522,587
Changes in Net Position	\$ (1,086,090)	\$ (1,134,436)
<i>Table includes financial data of the combined governmental funds</i>		

During fiscal year 2017-18, the District received \$442,549 of school facilities apportionments.

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

(PREPARED BY DISTRICT MANAGEMENT)

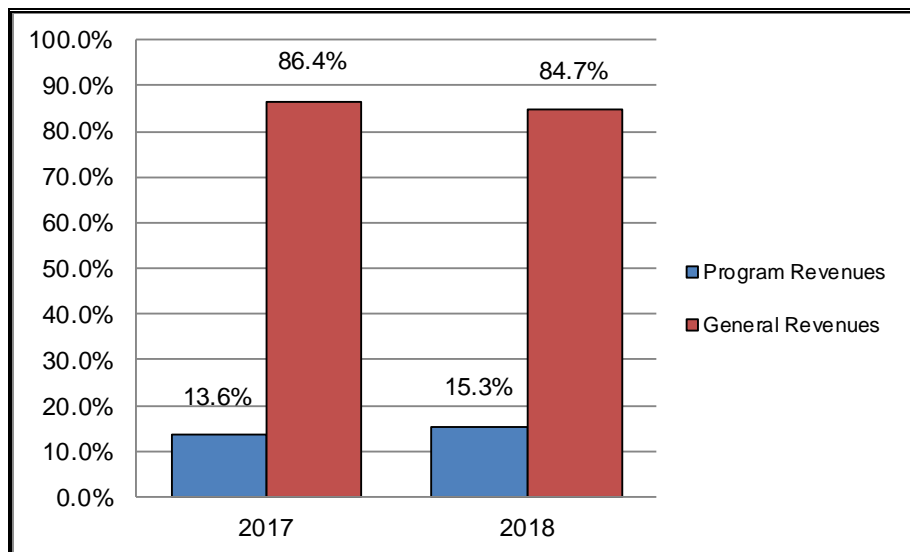
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Instruction	\$ 17,701,382	\$ 17,228,540	\$ 14,853,103	\$ 13,997,848
Instruction-Related Services	2,338,526	2,491,316	2,165,546	2,308,180
Pupil Services	2,626,186	2,611,444	1,665,439	1,811,580
General Administration	2,129,695	2,415,980	2,085,245	2,373,948
Plant Services	2,485,738	2,685,233	2,485,502	2,380,911
Interest on Long-Term Debt	2,496,872	2,645,733	2,496,872	2,645,733
Other Expenses	677,285	444,341	562,929	334,413
Totals	<u>\$ 30,455,684</u>	<u>\$ 30,522,587</u>	<u>\$ 26,314,636</u>	<u>\$ 25,852,613</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$25,852,613 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2017-18, program revenues financed 15.3% of the total cost of providing the services listed above, while the remaining 84.7% was financed by the general revenues of the District.

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

(PREPARED BY DISTRICT MANAGEMENT)

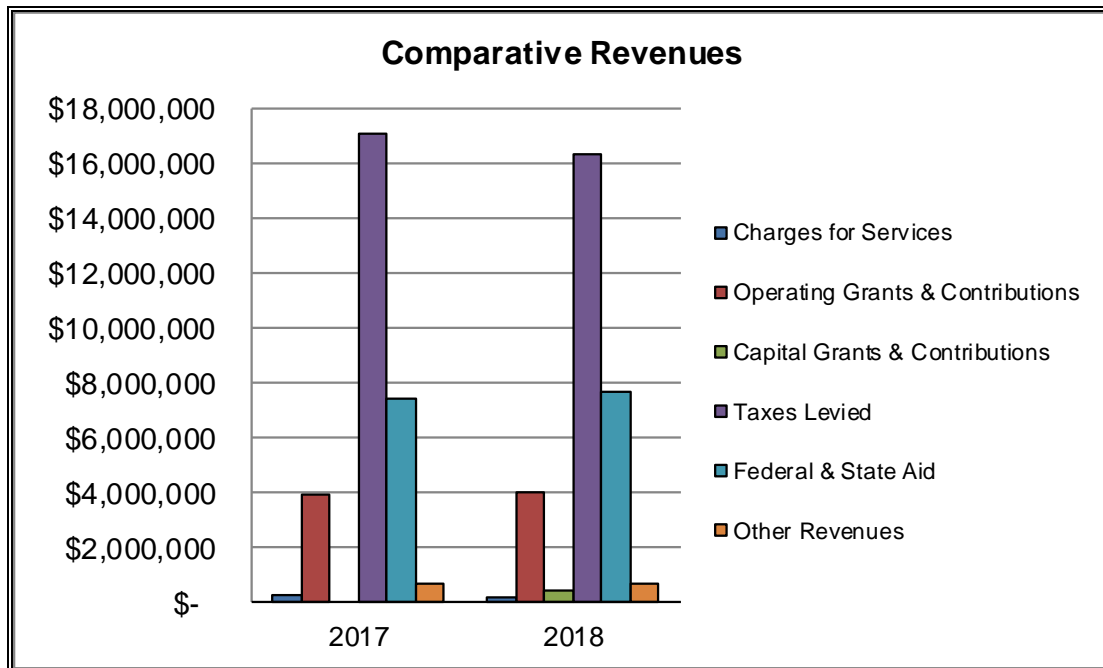
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 228,061	0.78%	\$ 220,959	0.75%
Operating Grants & Contributions	3,912,987	13.32%	4,006,466	13.63%
Capital Grants & Contributions	0	0.00%	442,549	1.51%
<u>General Revenues</u>				
Taxes Levied	17,100,502	58.23%	16,372,549	55.71%
Federal & State Aid	7,449,636	25.37%	7,674,290	26.11%
Other Revenues	678,408	2.31%	671,338	2.28%
Total Revenues	\$ 29,369,594	100.00%	\$ 29,388,151	100.00%

Table includes financial data of the combined governmental funds



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

(PREPARED BY DISTRICT MANAGEMENT)

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

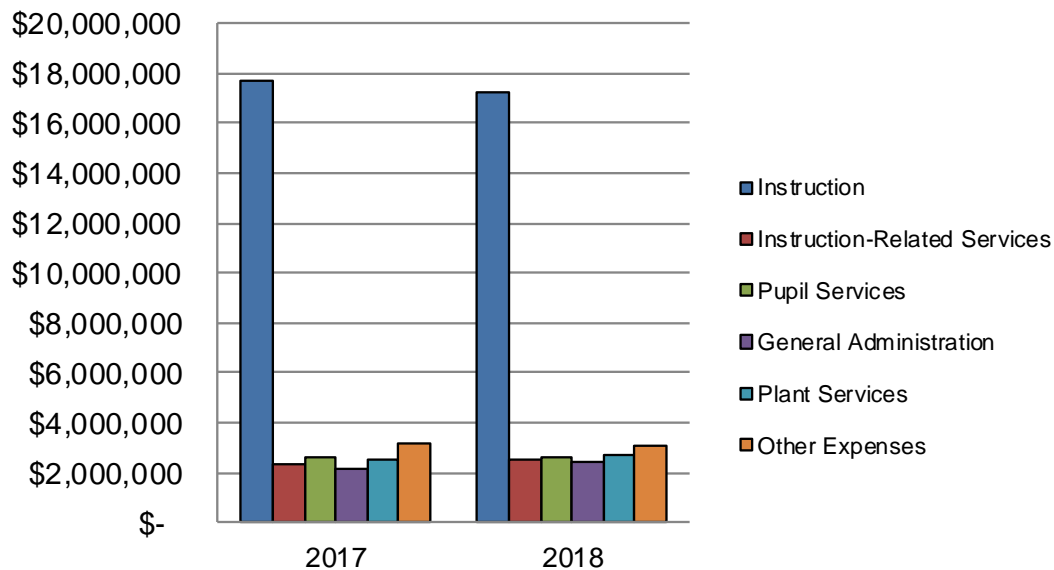
GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 17,701,382	58.12%	\$ 17,228,540	56.45%
Instruction-Related Services	2,338,526	7.68%	2,491,316	8.16%
Pupil Services	2,626,186	8.62%	2,611,444	8.56%
General Administration	2,129,695	6.99%	2,415,980	7.92%
Plant Services	2,485,738	8.16%	2,685,233	8.80%
Other Expenses	3,174,157	10.42%	3,090,074	10.12%
Total Expenses	<u>\$ 30,455,684</u>	<u>100.00%</u>	<u>\$ 30,522,587</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds

Comparative Expenses



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

(PREPARED BY DISTRICT MANAGEMENT)

ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2017	2018
Land	\$ 992,328	\$ 992,328
Sites and Improvements	2,596,771	2,596,771
Buildings and Improvements	67,758,803	67,758,803
Furniture and Equipment	1,570,607	1,663,943
Work-in-Progress	1,168,675	6,672,019
Subtotals	74,087,184	79,683,864
Less: Accumulated Depreciation	(27,157,916)	(29,187,309)
Capital Assets, net	<u>\$ 46,929,268</u>	<u>\$ 50,496,555</u>

Capital assets, net of depreciation, increased \$3,567,287, due to the current year addition of \$5,596,680 of new capital assets and improvements, and current year recognition of \$2,029,393 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2017	2018
Compensated Absences	102,961	72,180
General Obligation Bonds	61,518,984	60,417,118
Bond Premium	2,131,015	2,019,033
Capital Leases	404,672	298,147
Total OPEB Liability *	1,337,650	1,308,125
Net Pension Liability - CalSTRS	18,428,107	20,071,224
Net Pension Liability - CalPERS	5,239,804	5,917,092
Totals *	<u>\$ 89,163,193</u>	<u>\$ 90,102,919</u>

* Prior year balances have been adjusted to reflect the restatement discussed in Note 18

Total long-term liabilities increased \$939,726, due primarily to the current year increase in the net pension liabilities related to the District's participation in the CalSTRS and CalPERS pension plans.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by local taxpayers and represent 69.3% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current debt issues. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2017	Fund Balances June 30, 2018	Increase (Decrease)
General	\$ 5,809,389	\$ 5,478,944	\$ (330,445)
Bond Interest & Redemption	12,322,588	11,895,239	(427,349)
Building	6,063,466	685,774	(5,377,692)
Cafeteria	27,460	27,460	0
Capital Facilities	130,223	82,327	(47,896)
County School Facilities	0	442,549	442,549
Capital Projects - Special Reserve	247,400	458,629	211,229
Totals	<u>\$ 24,600,526</u>	<u>\$ 19,070,922</u>	<u>\$ (5,529,604)</u>

The fund balance of the General Fund decreased \$330,445 during fiscal year 2017-18, and the combined fund balances of all other District governmental funds decreased \$5,199,159.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

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

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

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The 2018-19 Adopted Budget reflected a decrease of 54 ADA (56 enrollment). As of the writing of this audit report, the First Interim report showed 56 more students enrolled than anticipated. Since enrollment is the same as 2017-18, the District will now be funded on the higher of 2017-18 ADA or 2018-19 ADA. While this does not make a material difference for 2018-19 funding, it does positively impact the ADA/funding and decreased deficit spending for subsequent years. The District will continue to carefully monitor deficit spending and address budget reductions as needed.

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its ninth year of expansion, lasting four years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Ross Valley School District, 110 Shaw Drive, San Anselmo, CA 94960.

BASIC FINANCIAL STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 19,106,615
Receivables (Note 3)	1,251,415
Capital Assets, Not Depreciated (Note 5)	7,664,347
Capital Assets, Net of Accumulated Depreciation	42,832,208
Total Assets	<u>70,854,585</u>
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 10)	7,687,791
Bond Refunding	43,363
Total Deferred Outflows of Resources	<u>7,731,154</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	1,169,626
Accrued Interest Payable	808,981
Unearned Revenue (Note 11)	117,482
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	72,180
General Obligation Bonds	
Current Interest	905,000
Capital Appreciation	881,226
Bond Premium	111,982
Capital Leases	111,443
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	44,995,000
Capital Appreciation	13,635,892
Bond Premium	1,907,051
Capital Leases (Note 8)	186,704
Total OPEB Liability (Note 9)	1,308,125
Net Pension Liabilities (Note 10)	25,988,316
Total Liabilities	<u>92,199,008</u>
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 10)	2,845,319
Total Deferred Inflows of Resources	<u>2,845,319</u>
<u>Net Position</u>	
Net Investment in Capital Assets	5,312,022
Restricted:	
For Capital Projects	876,286
For Debt Service	(5,734,370)
For Educational Programs	100,973
For Other Purposes	30,460
Unrestricted (Deficit)	(17,043,959)
Total Net Position (Deficit)	<u>\$ (16,458,588)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 17,228,540		\$ 2,788,143	\$ 442,549	\$ (13,997,848)
Instruction-Related Services:					
Supervision of Instruction	380,188		50,052		(330,136)
Instructional Library and Technology	376,567		54,639		(321,928)
School Site Administration	1,734,561		78,445		(1,656,116)
Pupil Services:					
Home-to-School Transportation	426,611		96,001		(330,610)
Food Services	414,044	\$ 220,959	73,176		(119,909)
Other Pupil Services	1,770,789		409,728		(1,361,061)
General Administration:					
Data Processing Services	475,398				(475,398)
Other General Administration	1,940,582		42,032		(1,898,550)
Plant Services	2,685,233		304,322		(2,380,911)
Ancillary Services	25,087		4,559		(20,528)
Community Services	8,998		1,659		(7,339)
Interest on Long-Term Debt	2,645,733				(2,645,733)
Other Outgo	410,256		103,710		(306,546)
Total Governmental Activities	<u>\$ 30,522,587</u>	<u>\$ 220,959</u>	<u>\$ 4,006,466</u>	<u>\$ 442,549</u>	<u>(25,852,613)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					8,960,981
Taxes Levied for Debt Service					3,489,097
Taxes Levied for Specific Purposes					3,922,471
Federal and State Aid - Unrestricted					7,674,290
Interest and Investment Earnings					(30,039)
Miscellaneous					701,377
Total General Revenues					<u>24,718,177</u>
Change in Net Position					(1,134,436)
Net Position (Deficit) - July 1, 2017					<u>(15,324,152)</u>
(As Restated - Notes 18 & 19)					
Net Position (Deficit) - June 30, 2018					\$ (16,458,588)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 5,304,253	\$ 11,895,239	\$ 870,543	\$ 1,036,580	\$ 19,106,615
Receivables (Note 3)	1,236,035			15,380	1,251,415
Due from Other Funds (Note 4)				16,242	16,242
Total Assets	<u>\$ 6,540,288</u>	<u>\$ 11,895,239</u>	<u>\$ 870,543</u>	<u>\$ 1,068,202</u>	<u>\$ 20,374,272</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 927,620		\$ 184,769	\$ 57,237	\$ 1,169,626
Due to Other Funds (Note 4)	16,242				16,242
Unearned Revenue (Note 1I)	117,482				117,482
Total Liabilities	<u>1,061,344</u>		<u>184,769</u>	<u>57,237</u>	<u>1,303,350</u>
Fund Balances: (Note 13)					
Nonspendable	3,000				3,000
Restricted	100,973	\$ 11,895,239	685,774	903,746	13,585,732
Assigned	2,098,607			107,219	2,205,826
Unassigned	3,276,364				3,276,364
Total Fund Balances	<u>5,478,944</u>	<u>11,895,239</u>	<u>685,774</u>	<u>1,010,965</u>	<u>19,070,922</u>
Total Liabilities and Fund Balances	<u>\$ 6,540,288</u>	<u>\$ 11,895,239</u>	<u>\$ 870,543</u>	<u>\$ 1,068,202</u>	<u>\$ 20,374,272</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Governmental Funds	\$	19,070,922
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:

Capital Assets	\$ 79,683,864	
Accumulated Depreciation	<u>(29,187,309)</u>	
		50,496,555

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

43,363

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

4,842,472

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$ 72,180	
General Obligation Bonds:		
Current Interest	45,900,000	
Capital Application	14,517,118	
Bond Premium	2,019,033	
Capital Lease	298,147	
Total OPEB Liability	1,308,125	
Net Pension Liability - CalSTRS	20,071,224	
Net Pension Liability - CalPERS	<u>5,917,092</u>	
Total		(90,102,919)

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

(808,981)

Total Net Position (Deficit) - Governmental Activities	\$	<u>(16,458,588)</u>
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ROSS VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 6,970,606				\$ 6,970,606
Local Taxes	8,960,981				8,960,981
Total LCFF Sources	15,931,587				15,931,587
Federal Revenue	476,357			\$ 68,908	545,265
State Revenue	1,939,973	\$ 21,871		750,303	2,712,147
Local Revenue	6,496,424	3,350,236	\$ 30,401	322,091	10,199,152
Total Revenues	24,844,341	3,372,107	30,401	1,141,302	29,388,151
<u>Expenditures</u>					
Current:					
Instruction	15,554,473				15,554,473
Supervision of Instruction	343,906				343,906
Instructional Library and Technology	348,709				348,709
School Site Administration	1,568,668				1,568,668
Home-To-School Transportation	395,051				395,051
Food Services				384,947	384,947
Other Pupil Services	1,603,095				1,603,095
Data Processing Services	440,047				440,047
Other General Administration	1,799,292				1,799,292
Plant Services	2,453,255			187,396	2,640,651
Facilities Acquisition and Construction			5,408,093	53,889	5,461,982
Ancillary Services	24,727				24,727
Community Services	8,998				8,998
Other Outgo	410,256				410,256
Debt Service:					
Principal Retirement	106,525	1,845,000			1,951,525
Interest and Issuance Costs	26,972	1,954,456			1,981,428
Total Expenditures	25,083,974	3,799,456	5,408,093	626,232	34,917,755
Excess of Revenues Over (Under) Expenditures	(239,633)	(427,349)	(5,377,692)	515,070	(5,529,604)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				90,812	90,812
Operating Transfers Out	(90,812)				(90,812)
Total Other Financing Sources (Uses)	(90,812)	0	0	90,812	0
Net Change in Fund Balances	(330,445)	(427,349)	(5,377,692)	605,882	(5,529,604)
Fund Balances - July 1, 2017	5,809,389	12,322,588	6,063,466	405,083	24,600,526
Fund Balances - June 30, 2018	\$ 5,478,944	\$ 11,895,239	\$ 685,774	\$ 1,010,965	\$ 19,070,922

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ROSS VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds

\$ (5,529,604)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year.

Capital Outlays	\$ 5,596,680	
Depreciation Expense	(2,029,393)	
Net		3,567,287

In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts used exceeded amounts earned by:

30,781

Other Post Employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

29,525

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

(20,815)

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

General Obligation Bonds:		
Current Interest	\$ 935,000	
Capital Appreciation	910,000	
Capital Lease	106,525	
		1,951,525

Debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as other financing sources. In the government-wide statements, the premium is amortized over the life of the debt. The amount of bond premium amortized during the current period was:

111,982

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities increased by:

(12,338)

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:

(743,134)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:

(519,645)

Change in Net Position of Governmental Activities

\$ (1,134,436)

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Ross Valley School District, this includes general operations and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that Yes The Ross Valley Schools Foundation, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39.

Component Unit:

The Foundation was established as a legally separate non-profit entity to support the District through fundraising activities. In addition, funds contributed by the Foundation to the District are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that should be discretely presented in the District's annual financial statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the fiscal year ended June 30, 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental activities, has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Unearned Revenue:

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

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

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

Major Governmental Funds:

General Fund is the general operating fund of the District.

Bond Interest and Redemption Fund is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

Building Fund is used to account for the acquisition and/or construction of major capital facilities and buildings financed from the sale of general obligation bonds.

Non-major Governmental Funds:

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

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

The *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Capital Projects - Special Reserve Fund is used to accumulate funds for major maintenance and capital outlay projects of the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 59.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Encumbrances

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

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

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-36
Buildings and Improvements	30-35
Furniture and Equipment	6-15

3. Deferred Outflows/Inflows of Resources

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

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

4. Unearned Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Other Postemployment Benefits (OPEB)

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

7. Pensions

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

8. Long-term Liabilities

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

9. Fund Balances

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balances (Concluded)

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

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum assigned and unassigned fund balance of 10% which includes the 3% State statutory requirement for the reserve for economic uncertainties.

If the assigned and unassigned fund balance falls below the level set by the Board due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

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

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

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

Cash in Revolving Funds	\$ 3,000
County Pool Investments	9,982,653
Investments	<u>9,120,962</u>
Total	<u><u>\$ 19,106,615</u></u>

Cash in Revolving Fund

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

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

Investments

Investments consist of treasury notes and government guaranteed participation certificates that were purchased from the proceeds of the sale of the 2017 General Obligation Crossover Refunding Bonds, Series A, will be used to refund, on a crossover basis, a portion of the District's General Obligation Bonds Election of 2010, Series A on August 21, 2021 (the "Crossover Date").

General Authorization

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 9,982,653	\$ 9,993,634	211

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2018</u>
County Pool Investments	\$ 9,982,653	\$ 9,993,634	AAA/V1

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 9,908,534</u>	<u>\$ 9,908,534</u>

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

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 204,381	\$ 14,501	\$ 218,882
State Government	299,713	879	300,592
Local Governments	412,672	0	412,672
Miscellaneous	319,269	0	319,269
Totals	<u>\$ 1,236,035</u>	<u>\$ 15,380</u>	<u>\$ 1,251,415</u>

NOTE 4 - INTERFUND ACTIVITIES

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

A. Due From/Due To Other Funds

Due from/due to other funds at June 30, 2018 consisted of the following:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Cafeteria	\$ 16,242	\$ 16,242
Totals	<u>\$ 16,242</u>	<u>\$ 16,242</u>

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

B. Interfund Transfers

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

Interfund transfers for fiscal year 2017-18 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Cafeteria	\$ 90,812	\$ 90,812
Totals	<u>\$ 90,812</u>	<u>\$ 90,812</u>

Transfer of \$90,812 from the General Fund to the Cafeteria Fund to support the child nutrition program.

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

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, is presented below:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 992,328			\$ 992,328
Construction-in-Progress	1,168,675	\$ 5,503,344		6,672,019
Total Capital Assets Not Being Depreciated	2,161,003	5,503,344	\$ 0	7,664,347
Capital Assets Being Depreciated:				
Sites and Improvements	2,596,771			2,596,771
Buildings and Improvements	67,758,803			67,758,803
Furniture and Equipment	1,570,607	93,336		1,663,943
Total Capital Assets Being Depreciated	71,926,181	93,336	0	72,019,517
Less Accumulated Depreciation:				
Sites and Improvements	2,223,771	27,698		2,251,469
Buildings and Improvements	24,090,522	1,878,349		25,968,871
Furniture and Equipment	843,623	123,346		966,969
Total Accumulated Depreciation	27,157,916	2,029,393	0	29,187,309
Total Capital Assets Being Depreciated, Net	44,768,265	(1,936,057)	0	42,832,208
Governmental Activities Capital Assets, Net	\$ 46,929,268	\$ 3,567,287	\$ 0	\$ 50,496,555

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,274,526
Instruction-Related Services	184,302
Pupil Services	193,189
General Administration	178,729
Plant Services	198,647
Total	<u>\$ 2,029,393</u>

NOTE 6 - GENERAL OBLIGATION BONDS

On the November 2, 2010, general election, the registered voters of the District approved Measure A, which authorizes the District to issue up to \$41 million in general obligation bonds to maintain quality local public education, relieve overcrowding, maintain low class size ratios, restore art, music, multipurpose rooms, build science labs, upgrade classroom technology and energy efficiency, and replace portables with permanent classrooms.

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

NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)

On May 25, 2011, the District issued Election of 2010, Series A general obligation bonds in the amount of \$10,000,426, with interest rates ranging from 2.0% to 12.0%. On August 15, 2012, the District issued Election of 2010, Series B general obligation bonds in the amount of \$18,300,000, with interest rates ranging from 2.0% to 5.0%.

On April 26, 2016, the District issued Election of 2010, Series C general obligation bonds in the amount of \$12,698,735, with interest rates ranging from 1.74% to 4.0%.

On March 1, 2017, the District issued 2017 General Obligation Crossover Refunding Bonds, Series A in the amount of \$9,625,000, with interest rates ranging from 3.0% to 5.0%, which will be used to refund, on a crossover basis, a portion of the District's General Obligation Bonds Election of 2010, Series A on August 21, 2021 (the "Crossover Date"), and pay for issuance costs and interest expense, related to the new bonds.

The outstanding general obligation debt of the District as of June 30, 2018 is as follows:

A. Current Interest Bonds

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
2/2/11	2.00-4.00	8/1/20	\$ 6,150,000	\$ 2,990,000		\$ 675,000	\$ 2,315,000
5/25/11	2.00-4.50	8/1/41	8,840,000	8,055,000			8,055,000
8/15/12	2.00-5.00	8/1/42	18,300,000	15,855,000		260,000	15,595,000
4/26/16	3.00-4.00	8/1/42	10,310,000	10,310,000			10,310,000
3/1/17	3.00-5.00	8/1/41	9,625,000	9,625,000			9,625,000
Totals			<u>\$ 53,225,000</u>	<u>\$ 46,835,000</u>	<u>\$ 0</u>	<u>\$ 935,000</u>	<u>\$ 45,900,000</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 905,000	\$ 1,948,269	\$ 2,853,269
2020	1,000,000	1,912,244	2,912,244
2021	1,150,000	1,870,394	3,020,394
2022	380,000	1,839,794	2,219,794
2023	440,000	1,823,394	2,263,394
2024-2028	3,030,000	8,750,331	11,780,331
2029-2033	6,000,000	7,894,575	13,894,575
2034-2038	10,595,000	6,393,522	16,988,522
2039-2043	22,400,000	2,627,112	25,027,112
Totals	<u>\$ 45,900,000</u>	<u>\$ 35,059,635</u>	<u>\$ 80,959,635</u>

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

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

Date Of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2018
6/1/99	5.00-5.38	6/1/24	\$ 3,904,790	\$ 6,299,488		\$ 297,284	\$ 865,000	\$ 5,731,772
7/1/01	5.61	7/1/26	1,704,424	4,120,680		234,453		4,355,133
5/25/11	6.60-12.00	8/1/38	1,160,426	1,781,054		128,841	45,000	1,864,895
4/26/16	1.74-3.79	8/1/33	2,388,735	2,482,762		82,556		2,565,318
Totals			<u>\$ 9,158,375</u>	<u>\$ 14,683,984</u>	<u>\$ 0</u>	<u>\$ 743,134</u>	<u>\$ 910,000</u>	<u>\$ 14,517,118</u>

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

Year Ended June 30	Amount of Original Issue (Principal)	Accreted Interest	Totals
2019	\$ 328,149	\$ 553,077	\$ 881,226
2020	317,244	542,658	859,902
2021	309,345	529,150	838,495
2022	316,452	518,316	834,768
2023	335,843	508,290	844,133
2024-2028	3,086,654	3,753,718	6,840,372
2029-2033	1,595,439	286,446	1,881,885
2034-2038	1,029,647	502,113	1,531,760
2039-2043	2,717	1,860	4,577
Totals	<u>\$ 7,321,490</u>	<u>\$ 7,195,628</u>	<u>\$ 14,517,118</u>

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

Year Ended June 30	Principal	Interest	Totals
2019	\$ 328,149	\$ 556,851	\$ 885,000
2020	317,244	592,756	910,000
2021	309,345	625,655	935,000
2022	316,452	663,548	980,000
2023	335,843	704,157	1,040,000
2024-2028	3,086,654	7,068,346	10,155,000
2029-2033	1,595,439	1,689,561	3,285,000
2034-2038	1,029,647	3,665,353	4,695,000
2039-2043	2,717	17,283	20,000
Totals	<u>\$ 7,321,490</u>	<u>\$ 15,583,510</u>	<u>\$ 22,905,000</u>

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

NOTE 7 - DEFEASED DEBT

Certain bond anticipation notes of the District have been defeased by placing the proceeds of refunding bond anticipation notes in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bond anticipation notes in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased debts are not included in the District's financial statements.

The defeased bond anticipation notes outstanding at June 30, 2018 considered extinguished are as follows:

<u>Defeased Debt</u>	<u>Maturities Refunded</u>	<u>Principal Refunded</u>
Bond Anticipation Notes	2018-19	\$5,710,000

NOTE 8 - CAPITAL LEASES

The District leases solar equipment valued at \$1,300,000 under lease agreements that provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2019	\$ 123,130
2020	123,130
2021	<u>71,912</u>
Total	318,172
Less amounts representing interest	<u>(20,025)</u>
Present value of net minimum lease payments	<u>\$ 298,147</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Ross Valley School District's Other Post Employment Benefits Plan (Plan), is a single employer defined benefit healthcare plan administered by the District. No separate financial statements were issued for the plan. The District provides varying coverage to retirees from the various employee groups. The benefits provided to eligible retirees are as follows:

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

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

Plan Description / Benefits Provided

The District sponsors health care coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a statutory minimum contribution to PEMHCA (currently \$133 per month) and is scheduled by law to be indexed with medical inflation (CPI) for years 2018 and thereafter. The District makes the required statutory PEMHCA contribution as described subject to the "Equal Contribution Method" under which the District's contribution for retirees is equal to its basic contribution for active employees.

A retiree who retires on or before July 1, 2010 must have 40 years of credit service with the District in order to receive a lifetime District contribution equal to the statutory minimum described previously. Retirees who retire on or after July 1, 2010 without having completed at least 40 years of credited service with the District are not eligible to receive a District contribution towards retiree health benefits. These rules apply to all employees of the District, including certificated, classified, and management groups. The District also pays a 0.31% of premium administrative fee to PEMHCA for each eligible retiree.

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

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2018 are as follows:

Inactive employees currently receiving benefit payments	52
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>190</u>
Total number of participants	<u><u>242</u></u>

Total OPEB Liability

The District's total OPEB liability of \$1,308,125 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

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

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2018, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary Increases	2.75%
Discount Rate	3.8%, net of expenses
Healthcare cost trend rates	4.0% per year based on assumption that average increase over time cannot continue to outstrip general inflation by wide margin

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

Mortality rates for certificated employees were based on the *2009 CalSTRS Mortality* table created by CalSTRS. Mortality rates for classified employees were based on the *2014 CalPERS Active Mortality for Miscellaneous Employees* table created by CalPERS.

Retirement rates for certificated employees were based on the *2009 CalSTRS Retirement Rates* table created by CalSTRS. Retirement rates for classified employees were based on the *2009 CalPERS Retirement Rates for School Employees* table for employees hired before January 1, 2013 and the *2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @ 60* table adjusted to minimum retirement age of 52 for employees hired after December 31, 2012.

Turnover rates for certificated employees were based on the *2009 CalSTRS Termination Rates* table created by CalSTRS. Turnover rates for classified employees were based on the *2009 CalPERS Termination Rates for School Employees* table created by CalPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 1,337,650
Changes for the year:	
Service cost	9,381
Interest on total OPEB liability	49,190
Benefit payments	(88,096)
Net changes	(29,525)
Balance at June 30, 2018	\$ 1,308,125

There were no reportable changes in benefit terms or assumptions.

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

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

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

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.80%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	Discount Rate 1% Decrease 2.80%	Discount Rate Current Rate 3.80%	Discount Rate 1% Increase 4.80%
District's Total OPEB Liability	\$ 1,458,118	\$ 1,308,125	\$ 1,185,546

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

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

	Healthcare Cost Trend Rate 1% Decrease 3.00%	Healthcare Cost Trend Rate Current Rate 4.00%	Healthcare Cost Trend Rate 1% Increase 5.00%
District's Total OPEB Liability	\$ 1,184,768	\$ 1,308,125	\$ 1,455,023

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$58,571. At June 30, 2018, there were no deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 10 - RETIREMENT PLANS

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

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expenses</u>
CalSTRS	\$ 20,071,224	\$ 5,839,416	\$ 2,549,944	\$ 2,789,703
CalPERS	5,917,092	1,848,375	295,375	868,784
Totals	<u>\$ 25,988,316</u>	<u>\$ 7,687,791</u>	<u>\$ 2,845,319</u>	<u>\$ 3,658,487</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

The STRP Defined Benefit Program has two benefit formulas:

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

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed \$1,605,096 to the plan for the fiscal year ended June 30, 2018.

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

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 20,071,224
State's proportionate share of the net pension liability associated with the District	<u>11,873,966</u>
Total net pension liability attributed to District	<u><u>\$ 31,945,190</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0217%
Proportion - June 30, 2016	<u>0.0228%</u>
Change - Increase (Decrease)	<u><u>-0.0011%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$2,789,703, which includes \$1,036,478 of support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,605,096	
Differences between expected and actual experience	74,226	\$ 382,292
Changes of assumptions	3,718,338	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	441,756	1,721,889
Net differences between projected and actual earnings on plan investments		445,763
Totals	<u>\$ 5,839,416</u>	<u>\$ 2,549,944</u>

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

Year Ended June 30	
2019	\$ (112,894)
2020	738,039
2021	409,895
2022	(139,615)
2023	271,241
2024	517,710

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2017. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions ^{1,2}:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ³	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

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

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

³ Net of investment expenses, but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. The CalSTRS July 1, 2010 - June 30, 2015 Experience Analysis, adopted by the board in February 2017, is available on the CalSTRS website for more information regarding the mortality assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

* 20-year average

Discount Rate

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

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

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

	<u>Discount Rate 1% Decrease 6.10%</u>	<u>Discount Rate Current Rate 7.10%</u>	<u>Discount Rate 1% Increase 8.10%</u>
District's proportionate share of the net pension liability	\$ 29,470,929	\$ 20,071,224	\$ 12,442,726

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was \$497,268.

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

As of June 30, 2018, the District reported a liability of \$5,917,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0248%
Proportion - June 30, 2016	<u>0.0265%</u>
Change - Increase (Decrease)	<u>-0.0017%</u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$868,784. At June 30, 2018, 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>
District contributions subsequent to the measurement date	\$ 497,268	
Differences between expected and actual experience	227,200	
Changes of assumptions	864,285	\$ 80,906
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	9,070	214,469
Net differences between projected and actual earnings on plan investments	<u>250,552</u>	
Totals	<u>\$ 1,848,375</u>	<u>\$ 295,375</u>

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

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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

Year Ended June 30	
2019	\$ 276,083
2020	541,811
2021	349,927
2022	(112,089)

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

Actuarial Assumptions

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

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

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

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

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

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

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate. These geometric rates of return are net of administrative and investment expenses.

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

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

(b) An expected inflation of 3.0% used for this period

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

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 8,705,938	\$ 5,917,092	\$ 3,603,510

Pension Plan Fiduciary Net Position

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

C. Social Security

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

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient \$1,036,478 of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. The District is not legally responsible for these contributions.

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

NOTE 12 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2018, is shown below:

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Compensated Absences	\$ 102,961	\$ 72,180	\$ 102,961	\$ 72,180	\$ 72,180
General Obligation Bonds:					
Current Interest	46,835,000		935,000	45,900,000	905,000
Capital Appreciation	14,683,984	743,134	910,000	14,517,118	881,226
Bond Premium	2,131,015		111,982	2,019,033	111,982
Capital Leases	404,672		106,525	298,147	111,443
Total OPEB Liability	1,337,650	58,571	88,096	1,308,125	
Net Pension Liability - CalSTRS	18,428,107	1,643,117		20,071,224	
Net Pension Liability - CalPERS	5,239,804	677,288		5,917,092	
Totals	<u>\$ 89,163,193</u>	<u>\$ 3,194,290</u>	<u>\$ 2,254,564</u>	<u>\$ 90,102,919</u>	<u>\$ 2,081,831</u>

Compensated absences, capital leases, and other post employment benefits are obligations of the General Fund, the net pension liabilities are obligations of the General Fund and Cafeteria Fund, and general obligation bonds are obligations of the Bond Interest and Redemption Fund.

NOTE 13 - FUND BALANCES

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

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	<u>\$ 3,000</u>				<u>\$ 3,000</u>
Restricted:					
Categorical Programs	82,829			\$ 378,870	461,699
Local Programs	18,144				18,144
Measure A			\$ 685,774		685,774
School Facility Apportionments				442,549	442,549
Developer Fees				82,327	82,327
Debt Service		<u>\$ 11,895,239</u>			<u>11,895,239</u>
Total Restricted	<u>100,973</u>	<u>11,895,239</u>	<u>685,774</u>	<u>903,746</u>	<u>13,585,732</u>
Assigned:					
Fund 01 Assignments	1,756,120				1,756,120
Deferred Maintenance	342,487				342,487
Capital Projects				107,219	107,219
Total Assigned	<u>2,098,607</u>	<u>0</u>	<u>0</u>	<u>107,219</u>	<u>2,205,826</u>
Unassigned:					
Reserve for Economic Uncertainties	752,623				752,623
Remaining Unassigned Balances	2,523,741				2,523,741
Total Unassigned	<u>3,276,364</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,276,364</u>
Total Fund Balances	<u>\$ 5,478,944</u>	<u>\$ 11,895,239</u>	<u>\$ 685,774</u>	<u>\$ 1,010,965</u>	<u>\$ 19,070,922</u>

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

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017-18, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 15 - JOINT VENTURES

A. Marin Pupil Transportation Agency (MPTA)

The District participates in a joint venture under a joint powers agreement with MPTA for pupil transportation services for special education children. The relationship between the District and MPTA is such that MPTA is not a component unit of the District for financial reporting purposes.

MPTA arranges for and/or provides special education transportation services for its members. MPTA is governed by a board consisting of a representative from each member district. MPTA's board controls the operations of MPTA, including selection of management and approval of operating budgets, independent of any influence by the member District's beyond their representation on the Board. Each member district pays a fee commensurate with the level of service requested, and shares surpluses and deficits proportionately to their participation in MPTA. MPTA is audited on an annual basis. Audited financial statements can be obtained by contacting MPTA's management.

B. Marin Schools Insurance Authority (MSIA)

The District participates in a joint venture under a joint powers agreement with MSIA for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member District's beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in MSIA. MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

C. Schools Excess Liability Fund (SELF)

The District participates in a joint venture under a joint powers agreement with SELF which provides workers' compensation and property and liability insurance for its members in excess of their standard liability insurance coverage. The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes.

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

NOTE 15 - JOINT VENTURES (CONCLUDED)

C. Schools Excess Liability Fund (SELF)

SELF is governed by a board consisting of an elected representative for each of six California divisions; the District is a member of one of these divisions. SELF's governing board controls the operations of SELF, including selection of management and approval of operating budgets independent of any influence by the member District's beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SELF. SELF is audited on an annual basis. Audited financial statements can be obtained by contacting SELF's management.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 17 - ECONOMIC DEPENDENCY

During the year, the District received \$3,922,471 of parcel tax revenue that is subject to voter approval, and \$847,644 from the Ross Valley Schools Foundation, a non-profit education foundation, that is subject to voluntary public contributions to the organization.

NOTE 18 - RESTATEMENT OF NET POSITION - PRIMARY GOVERNMENT

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

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

NOTE 18 - RESTATEMENT OF NET POSITION - PRIMARY GOVERNMENT (CONCLUDED)

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

	Statement of <u>Activities</u>
Net Position (Defecit) - July 1, 2017 (as originally stated)	<u>\$ (14,323,413)</u>
Overstatement of OPEB Liability - GASB 45	336,911
Understatement of Total OPEB Liability - GASB 75	<u>(1,337,650)</u>
Net Restatement	<u>(1,000,739)</u>
Net Position (Deficit) - July 1, 2017 (as restated)	<u><u>\$ (15,324,152)</u></u>

NOTE 19 - RESTATEMENT OF NET POSITION - COMPONENT UNIT

The July 1, 2017 Net Position of the discretely presented component unit has been restated to reflect the exclusion of the financial balances and activities of Yes The Ross Valley Schools Foundation as a component of the reporting entity of the Ross Valley School District.

The effect of the restatement on the government-wide financial statements is as follows:

	Statement of <u>Activities</u>
Net Position - July 1, 2017 (as originally stated)	\$ 452,616
Overstatement of Net Position	<u>(452,616)</u>
Net Position - July 1, 2017 (as restated)	<u><u>\$ 0</u></u>

NOTE 20 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 5,328,231	\$ 6,983,312	\$ 6,970,606	\$ (12,706)
Local Sources	10,266,673	8,948,275	8,960,981	12,706
Total LCFF Sources	15,594,904	15,931,587	15,931,587	
Federal Revenue	549,822	577,048	476,357	(100,691)
Other State Revenue	493,643	1,939,574	1,939,973	399
Other Local Revenue	6,227,448	6,585,074	6,496,424	(88,650)
Total Revenues	22,865,817	25,033,283	24,844,341	(188,942)
<u>Expenditures</u>				
Current:				
Certificated Salaries	11,455,879	11,310,510	11,195,866	114,644
Classified Salaries	3,700,516	3,643,005	3,545,701	97,304
Employee Benefits	4,706,689	5,691,381	5,574,976	116,405
Books and Supplies	771,253	849,958	632,361	217,597
Services and Other				
Operating Expenditures	3,111,876	3,645,753	3,497,980	147,773
Capital Outlay		100,000	93,337	6,663
Debt Service:				
Principal Retirement	106,525	106,525	106,525	
Interest and Fiscal Charges	53,267	36,977	26,972	10,005
Other Expenditures	478,431	470,000	410,256	59,744
Total Expenditures	24,384,436	25,854,109	25,083,974	770,135
Excess of Revenues (Under) Expenditures	(1,518,619)	(820,826)	(239,633)	581,193
<u>Other Financing Sources (Uses)</u>				
Operating Transfers Out	(74,570)	(96,545)	(90,812)	5,733
Other Sources		100,000		(100,000)
Other Uses		(52,989)		52,989
Total Other Financing Sources (Uses)	(74,570)	(49,534)	(90,812)	(41,278)
Net Change in Fund Balances	(1,593,189)	(870,360)	(330,445)	\$ 539,915
Fund Balances - July 1, 2017	5,809,389	5,809,389	5,809,389	
Fund Balances - June 30, 2018	\$ 4,216,200	\$ 4,939,029	\$ 5,478,944	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 9,381
Interest on Total OPEB Liability	49,190
Benefit Payments	<u>(88,096)</u>
Net Change in Total OPEB Liability	(29,525)
Total OPEB Liability - Beginning	<u>1,337,650</u>
Total OPEB Liability - Ending	<u><u>\$ 1,308,125</u></u>
 Covered-employee Payroll	 \$14,574,837
 District's Total OPEB Liability as Percentage of Covered-employee Payroll	 8.98%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

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

JUNE 30, 2018

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2018	0.0217%	\$ 20,071,224	\$ 11,873,966	\$ 31,945,190	\$ 11,502,615	174.49%	69.46%
2017	0.0228%	18,428,107	10,490,793	28,918,900	11,355,014	162.29%	70.04%
2016	0.0247%	16,660,602	8,811,622	25,472,224	11,486,194	145.05%	74.02%
2015	0.0237%	13,822,760	8,346,779	22,169,539	10,535,612	131.20%	76.52%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

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

JUNE 30, 2018

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2018	0.0248%	\$ 5,917,092	\$ 3,160,714	187.21%	71.87%
2017	0.0265%	5,239,804	3,182,882	164.62%	73.90%
2016	0.0266%	3,916,534	2,941,619	133.14%	79.43%
2015	0.0266%	3,018,677	2,791,348	108.14%	83.38%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 1,605,096	\$ 1,605,096	\$ -	\$ 11,123,326	14.43%
2017	1,472,412	1,472,412	-	11,704,388	12.58%
2016	1,219,722	1,219,722	-	11,367,400	10.73%
2015	997,213	997,213	-	11,229,876	8.88%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 497,268	\$ 497,268	\$ -	\$ 3,201,777	15.531%
2017	440,770	440,770	-	3,173,747	13.888%
2016	401,345	401,345	-	3,387,735	11.847%
2015	346,248	346,248	-	2,941,534	11.771%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

There was no excess of expenditures over appropriations in the General Fund as of June 30, 2018.

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

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

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

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

D. Schedule of Contributions

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

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

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

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

B. Benefit Terms

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

C. Changes in Assumptions or other inputs

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

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

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

Changes in Assumptions

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

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

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

SUPPLEMENTARY INFORMATION SECTION

ROSS VALLEY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ORGANIZATION

The Ross Valley School District operates four elementary schools and one middle school and serves the San Anselmo and Fairfax communities in Marin County, California. There were no changes in District boundaries during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Anne Capron	President	December 2020
Amy Stock	Clerk	December 2018
Annelise Bauer	Member	December 2020
Wesley Pratt	Member	December 2018
Mark Reagan	Member	December 2020

ADMINISTRATION

Rick Bagley, Ed. D.
Superintendent

Midge Hoffman
Chief Business Official

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

	Cafeteria	Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
<u>Assets</u>					
Deposits and Investments	\$ 15,255	\$ 116,204	\$ 442,549	\$ 462,572	\$ 1,036,580
Receivables	15,380				15,380
Due from Other Funds	16,242				16,242
Total Assets	<u>\$ 46,877</u>	<u>\$ 116,204</u>	<u>\$ 442,549</u>	<u>\$ 462,572</u>	<u>\$ 1,068,202</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 19,417	\$ 33,877		\$ 3,943	\$ 57,237
Total Liabilities	<u>19,417</u>	<u>33,877</u>		<u>3,943</u>	<u>57,237</u>
Fund Balances:					
Restricted	27,460	82,327	\$ 442,549	351,410	903,746
Assigned				107,219	107,219
Total Fund Balances	<u>27,460</u>	<u>82,327</u>	<u>442,549</u>	<u>458,629</u>	<u>1,010,965</u>
Total Liabilities and Fund Balances	<u>\$ 46,877</u>	<u>\$ 116,204</u>	<u>\$ 442,549</u>	<u>\$ 462,572</u>	<u>\$ 1,068,202</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>					
Federal Revenue	\$ 68,908				\$ 68,908
State Revenue	3,773		\$ 442,234	\$ 304,296	750,303
Local Revenue	221,454	\$ 98,137	315	2,185	322,091
	<u>294,135</u>	<u>98,137</u>	<u>442,549</u>	<u>306,481</u>	<u>1,141,302</u>
Total Revenues					
<u>Expenditures</u>					
Current:					
Food Services	384,947				384,947
Plant Services		146,033		41,363	187,396
Facilities Acquisition and Construction				53,889	53,889
	<u>384,947</u>	<u>146,033</u>	<u>0</u>	<u>95,252</u>	<u>626,232</u>
Total Expenditures					
Excess of Revenues Over (Under) Expenditures	(90,812)	(47,896)	442,549	211,229	515,070
<u>Other Financing Sources</u>					
Operating Transfers In	90,812				90,812
Net Change in Fund Balances	0	(47,896)	442,549	211,229	605,882
Fund Balances - July 1, 2017	27,460	130,223	0	247,400	405,083
Fund Balances - June 30, 2018	<u>\$ 27,460</u>	<u>\$ 82,327</u>	<u>\$ 442,549</u>	<u>\$ 458,629</u>	<u>\$ 1,010,965</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

P-2 Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	809.04	675.75	505.36	1,990.15
Extended Year Special Education	0.84	0.21		1.05
Special Education - NPS / LCI	2.57	2.42	5.55	10.54
Extended Year Special Education NPS / LCI	0.13	0.16	0.36	0.65
Totals	812.58	678.54	511.27	2,002.39

Annual Report				
	TK / K - 3	4 - 6	7 - 8	Total
Regular	811.24	678.43	504.68	1,994.35
Extended Year Special Education	0.84	0.21		1.05
Special Education - NPS / LCI	2.62	2.87	5.77	11.26
Extended Year Special Education NPS / LCI	0.13	0.16	0.36	0.65
Totals	814.83	681.67	510.81	2,007.31

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	38,450	180	N/A	In Compliance
Grade 1	50,400	55,020	180	N/A	In Compliance
Grade 2	50,400	55,020	180	N/A	In Compliance
Grade 3	50,400	55,020	180	N/A	In Compliance
Grade 4	54,000	55,020	180	N/A	In Compliance
Grade 5	54,000	55,020	180	N/A	In Compliance
Grade 6	54,000	65,233	180	N/A	In Compliance
Grade 7	54,000	65,233	180	N/A	In Compliance
Grade 8	54,000	65,233	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

	General Fund	Deferred Maintenance Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 5,136,457	\$ 342,487
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:		
Reclassifications of Fund Balances	342,487	(342,487)
June 30, 2018 Audited Financial Statements Fund Balances	<u>\$ 5,478,944</u>	<u>\$ 0</u>

Auditor's Comments

The fund balances of the General Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2018.

ROSS VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17	2015-16
Revenues and Other Financial Sources	\$ 24,085,024	\$ 24,844,341	\$ 25,708,739	\$ 25,523,168
Expenditures	25,056,438	25,083,974	25,020,575	24,310,618
Other Uses and Transfers Out	121,926	90,812	57,030	39,213
Total Outgo	25,178,364	25,174,786	25,077,605	24,349,831
Change in Fund Balance	(1,093,340)	(330,445)	631,134	1,173,337
Ending Fund Balance	\$ 4,385,604	\$ 5,478,944	\$ 5,809,389	\$ 5,178,255
Available Reserves	\$ 2,222,807	\$ 3,276,364	\$ 3,481,698	\$ 4,326,642
Reserve for Economic Uncertainties *	\$ 754,001	\$ 752,623	\$ 747,290	\$ 731,782
Available Reserves as a Percentage of Total Outgo	8.8%	13.0%	13.9%	17.8%
Average Daily Attendance at P-2	1,959	2,002	2,136	2,227
Total Long-Term Liabilities **	\$ 88,021,088	\$ 90,102,919	\$ 88,162,454	\$ 76,417,892

* Reported balances are a component of available reserves.

** Reported balance for fiscal year 2016-17 has been adjusted to reflect the restatement discussed in Note 18 of these financial statements.

The fund balance of the General Fund decreased \$300,689 (5.8%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$1,093,340 (20%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$330,445 during fiscal year 2017-18, and produced operating surpluses of \$1,173,337 and \$631,134 during fiscal years 2015-16 and 2016-17, respectively.

Average daily attendance has decreased 225 ADA over the past two years. The District's 2018-19 budget projects a further decrease of 43 ADA.

Total long-term liabilities increased \$13,685,027 over the past two years, due primarily to the prior year issuance of \$9,625,000 of general obligation refunding bonds.

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

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

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

E. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Ross Valley School District
San Anselmo, California

Report on State Compliance

We have audited Ross Valley School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Ross Valley 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 Ross Valley School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (See Below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Opinion on State Compliance

In our opinion, Ross Valley School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Education
Ross Valley School District
San Anselmo, 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 Ross Valley School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2018 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

Internal Control over Financial Reporting

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

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.

Internal Control over Financial Reporting (Concluded)

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.

Compliance and Other Matters

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

FINDINGS AND QUESTIONED COSTS SECTION

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified with Adverse Opinion on Discretely Presented Component Unit		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

State Awards

Any audit findings required to be reported in accordance with the <i>2017-18 Guide for Annual Audit of K-12 Local Educational Agencies and State Compliance Reporting?</i>	<u> </u> Yes	<u> X </u> No
Type of auditor's report issued on compliance for state programs:	Unmodified	

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

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

There were no matters reported in the prior year audit report.