RIVERSIDE UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2018

RIVERSIDE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Riverside Unified School District
Riverside, 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 Riverside Unified School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' 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, 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 Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Change in Accounting Principle
As discussed in Note 1.I.1. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $15,685,884 reduction of previously reported net position at July 1, 2017. 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, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 65 to 68 and the schedule of expenditures of federal awards on page 69 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 64 and 70 have 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 November 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

This discussion and analysis of Riverside Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities decreased by approximately $3.5 million.
- Governmental expenses were about $534.7 million. Revenues were about $531.1 million.
- The District spent $20.7 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by $23.3 million.
- Grades K-12 average daily attendance (ADA) decreased by 527, or 1.3%.

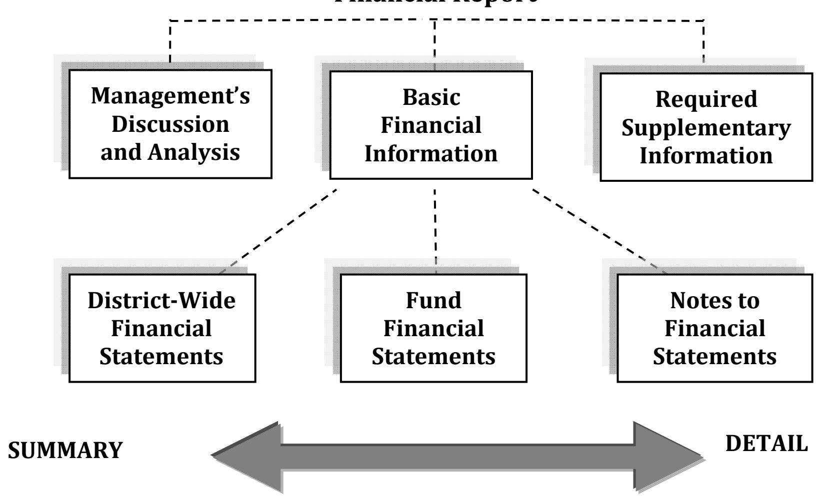
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements.*
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Riverside Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims and liability and property losses.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 2.1% to $161.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2018	2017*	(Decrease)
Assets			
Current assets	$ 314,480,332	$ 317,768,089	$ (3,287,757)
Capital assets	547,764,133	546,294,936	1,469,197
Total assets	862,244,465	864,063,025	(1,818,560)
Deferred outflows of resources	189,613,073	127,646,850	61,966,223
Liabilities			
Current liabilities	41,539,323	37,774,900	3,764,423
Long-term liabilities	318,017,040	341,296,904	(23,279,864)
Net pension liability	512,293,895	426,517,745	85,776,150
Total liabilities	871,850,258	805,589,549	66,260,709
Deferred inflows of resources	18,333,435	20,904,136	(2,570,701)
Net position			
Net investment in capital assets	393,352,713	387,628,967	5,723,746
Restricted	95,644,020	84,715,596	10,928,424
Unrestricted	(327,322,888)	(307,128,373)	(20,194,515)
Total net position	$ 161,673,845	$ 165,216,190	$ (3,542,345)

*As restated

Changes in net position, governmental activities. The District's total revenues increased 2.5% to $531.1 million (See Table A-2). The increase is due primarily to increased tax collections for general obligation bonds debt service and increases in the local control funding formula.

The total cost of all programs and services increased 2.5% to $534.7 million. The District's expenses are predominantly related to educating and caring for students, 82.0%. The purely administrative activities of the District accounted for just 4.6% of total costs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities 2018	Governmental Activities 2017	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 9,049,082	$ 8,712,014	$ 337,068
Operating grants and contributions	101,251,244	111,137,998	(9,886,754)
Capital grants and contributions	657,434	2,024,950	(1,367,516)
General Revenues:			
Property taxes	116,936,586	96,870,789	20,065,797
Federal and state aid not restricted	294,375,327	293,735,289	640,038
Other general revenues	8,877,079	5,861,421	3,015,658
Total Revenues	531,146,752	518,342,461	12,804,291
Expenses			
Instruction-related	379,444,334	378,746,794	697,540
Pupil services	58,933,927	57,270,256	1,663,671
Administration	24,797,730	25,301,928	(504,198)
Plant services	55,196,651	54,278,208	918,443
All other activities	16,316,455	33,055,724	(16,739,269)
Total Expenses	534,689,097	548,652,910	(13,963,813)
Increase (decrease) in net position	$ (3,542,345)	$ (30,310,449)	$ 26,768,104
Total Net position	$ 161,673,845	$ 165,216,190	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $247.3 million, which is below last year's ending fund balance of $255.8 million. The primary cause of the decreased fund balance is due to spending down funds on construction projects and deficit spending in the General Fund.

Table A-3: The District's Fund Balance

	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
Fund					
General Fund	$ 98,523,784	$ 472,284,330	$ 493,442,243	$ (2,477,231)	$ 74,888,640
Adult Education Fund	3,028,457	3,553,214	4,254,379	(5,639)	2,321,653
Child Development Fund	-	3,127,236	3,124,322	(2,914)	-
Cafeteria Fund	5,654,069	24,684,776	23,446,525	(1,740)	6,890,580
Building Fund	104,798,701	1,476,610	10,008,897	3,773,693	100,040,107
Capital Facilities Fund	8,784,730	6,026,467	2,452,949	-	12,358,248
County School Facilities Fund	5,200,381	657,435	562,211	(773,693)	4,521,912
Special Reserve Fund (Capital Outlay)	7,765,914	4,839,568	2,550,195	2,415,592	12,470,879
Capital Outlay Fund for Blended Component Units	198,281	6,242	123,123	2,522,060	2,603,460
Bond Interest and Redemption Fund	18,823,890	23,670,907	12,999,727	-	29,495,070
Debt Service Fund	3,062,824	12,291	1,870,513	483,229	1,687,831
	$ 255,841,031	$ 540,339,076	$ 554,835,084	$ 5,933,357	$ 247,278,380

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights
Over the course of the year, the District revised the annual operating budget. The major budget amendments fall into these categories:

- Revenues – increased by $25.0 million primarily to reflect changes in estimates from federal and state sources.
- Expenditures – increased $27.9 million mainly due to the rebudget of carryover funds and increased personnel cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $41.6 million, the actual results for the year show that revenues fell short of expenditures by roughly $21.2 million. Actual revenues were $8.5 million less than anticipated, and expenditures were $29.0 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
By the end of 2017-18 the District had invested $20.7 million in new capital assets, related to the District's facility acquisition and modernization plan. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately $19.2 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities 2018	Governmental Activities 2017	Variance Increase (Decrease)
Land	$ 46,041,909	$ 46,041,909	$ -
Buildings and improvements	493,494,664	478,106,950	15,387,714
Furniture and equipment	3,002,944	1,864,993	1,137,951
Construction in progress	5,224,616	20,281,084	(15,056,468)
Total	$ 547,764,133	$ 546,294,936	$ 1,469,197

Long-Term Debt
At year-end the District had $318.0 million in general obligation bonds, certificates of participation, claims liabilities, and employment benefits – a decrease of 6.8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities 2018	Governmental Activities 2017*	Variance Increase (Decrease)
General obligation bonds	$ 239,629,641	$ 245,067,569	$ (5,437,928)
Certificates of participation	17,425,346	18,595,382	(1,170,036)
Compensated Absences	5,951,078	5,821,335	129,743
Claims Liabilities	7,806,710	6,509,959	1,296,751
Other Postemployment Benefits	47,204,265	65,302,659	(18,098,394)
Total	$ 318,017,040	$ 341,296,904	$ (23,279,864)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes $15.9 Billion in Total Reserves
The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending
The budget assumed total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education
The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

Proposition 98 Establishes Minimum Spending Level
This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18
From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level
For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19
The enacted 2018-19 level is $2.4 billion (3.6%) more than the revised 2017-18 level and $3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.7 billion, $4 billion (70%) is ongoing and $1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities.

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates
In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only $202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

All of these factors were considered in preparing the Riverside Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mays Kakish, Chief Business Officer and Governmental Relations at Riverside Unified School District, 3380 14th Street Avenue, Riverside, California 92501 or (951) 788-7135.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	$ 290,549,954
Investments	7,566,222
Accounts receivable	15,767,901
Prepaid expenses	152,591
Inventories	443,664
Non-depreciable assets	51,266,525
Depreciable assets	752,502,997
Less, accumulated depreciation	(256,005,389)
Total assets	862,244,465
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	5,492,612
Deferred outflows related to OPEB	2,812,372
Deferred outflows related to pensions	181,308,089
Total deferred outflows of resources	189,613,073
LIABILITIES	
Accounts payable	34,626,348
Claims liabilities	2,602,237
Unearned revenue	4,310,738
Long-term liabilities:	
Due or payable within one year	20,360,622
Due or payable after one year	297,656,418
Net pension liability	512,293,895
Total liabilities	871,850,258
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	18,333,435
NET POSITION	
Net investment in capital assets	393,352,713
Restricted for:	
Capital projects	23,180,525
Debt service	31,182,901
Categorical programs	41,280,594
Unrestricted	(327,322,888)
Total net position	$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 317,721,919	$ 400,457	$ 52,036,609	$ 657,434	$ (264,627,419)
Instruction-Related Services:					
Supervision of instruction	23,227,134	30,562	8,176,026	-	(15,020,546)
Instructional library, media and technology	4,551,220	36	7,976	-	(4,543,208)
School site administration	33,944,061	11,134	3,236,132	-	(30,696,795)
Pupil Support Services:					
Home-to-school transportation	11,925,442	-	15,467	-	(11,909,975)
Food services	21,431,324	2,496,722	19,359,204	-	424,602
All other pupil services	25,577,161	2,948	4,551,751	-	(21,022,462)
General Administration Services:					
Data processing services	6,318,400	-	-	-	(6,318,400)
Other general administration	18,479,330	198,626	3,158,482	-	(15,122,222)
Plant Services	55,196,651	2,507,588	7,155,420	-	(45,533,643)
Ancillary Services	5,963,213	-	22,756	-	(5,940,457)
Community Services	252,581	-	95	-	(252,486)
Enterprise Activities	40,426	-	-	-	(40,426)
Interest on Long-Term Debt	9,919,114	-	-	-	(9,919,114)
Other Outgo	141,121	3,401,009	3,531,326	-	6,791,214
Total Governmental Activities	$ 534,689,097	$ 9,049,082	$ 101,251,244	$ 657,434	(423,731,337)

General Revenues:	
Property taxes	116,936,586
Federal and state aid not restricted to specific purpose	294,375,327
Interest and investment earnings	1,389,399
Miscellaneous	7,487,680
Total general revenues	420,188,992
Change in net position	(3,542,345)
Net position - July 1, 2017, as originally stated	180,902,074
Restatement - change in accounting principle	(15,685,884)
Net position - July 1, 2017, as restated	165,216,190
Net position - June 30, 2018	$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 91,631,490	$ 97,507,182	$ 17,000,000	$ 29,495,070	$ 23,398,381	$ 259,032,123
Investments	-	-	-	-	7,566,222	7,566,222
Accounts receivable	9,314,700	457,517	1,141,676	-	4,674,266	15,588,159
Due from other funds	4,159,123	3,018,732	-	-	3,029,359	10,207,214
Inventories	97,718	-	-	-	345,946	443,664
Prepaid expenditures	152,591	-	-	-	-	152,591
Total Assets	$ 105,355,622	$ 100,983,431	$ 18,141,676	$ 29,495,070	$ 39,014,174	$ 292,989,973
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 22,901,917	$ 892,710	$ 5,656,868	$ -	$ 368,247	$ 29,819,742
Due to other funds	3,254,327	50,614	126,560	-	8,149,612	11,581,113
Unearned revenue	4,310,738	-	-	-	-	4,310,738
Total Liabilities	30,466,982	943,324	5,783,428	-	8,517,859	45,711,593
Fund Balances						
Nonspendable	400,309	-	-	-	355,856	756,165
Restricted	33,247,485	100,040,107	12,358,248	29,495,070	22,790,821	197,931,731
Committed	23,097,527	-	-	-	4,119,122	27,216,649
Assigned	8,224,072	-	-	-	3,230,516	11,454,588
Unassigned	9,919,247	-	-	-	-	9,919,247
Total Fund Balances	74,888,640	100,040,107	12,358,248	29,495,070	30,496,315	247,278,380
Total Liabilities and Fund Balances	$ 105,355,622	$ 100,983,431	$ 18,141,676	$ 29,495,070	$ 39,014,174	$ 292,989,973

Total fund balances - governmental funds			$ 247,278,380
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets, at historical cost	$ 803,769,522	
	Accumulated depreciation	(256,005,389)	
	Net internal service fund capital assets	(10,004)	
			547,754,129
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(47,204,265)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(4,260,693)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			5,492,612
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 related to pensions are reported as follows:			
	Deferred outflows of resources	181,308,089	
	Deferred inflows of resources	(18,333,435)	
			162,974,654
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(512,293,895)
In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported, as follows:			
	Deferred outflows of resources		2,812,372
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	239,629,641	
	Certificates of participation payable	17,425,346	
	Compensated absences payable	5,951,078	
			(263,006,065)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:			22,126,616
Total net position - governmental activities			$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 369,479,397	$ -	$ -	$ -	$ -	$ 369,479,397
Federal sources	27,927,669	-	-	-	20,607,459	48,535,128
Other state sources	65,213,086	-	-	203,192	12,649,561	78,065,839
Other local sources	9,664,178	1,476,610	6,026,467	23,467,715	3,623,742	44,258,712
Total Revenues	472,284,330	1,476,610	6,026,467	23,670,907	36,880,762	540,339,076
EXPENDITURES						
Current:						
Instruction	314,741,875	-	-	-	4,942,100	319,683,975
Instruction-related services:						
Supervision of instruction	23,246,400	-	-	-	503,543	23,749,943
Instructional library, media and technology	3,541,519	-	-	-	-	3,541,519
School site administration	32,069,626	-	-	-	786,495	32,856,121
Pupil support services:						
Home-to-school transportation	11,454,862	-	-	-	-	11,454,862
Food services	12,874	-	-	-	22,308,357	22,321,231
All other pupil services	25,184,709	-	-	-	60,292	25,245,001
Ancillary services	6,108,082	-	-	-	-	6,108,082
Community services	258,109	-	-	-	-	258,109
General administration services:						
Data processing services	6,118,950	-	-	-	-	6,118,950
Other general administration	17,256,360	-	373,100	-	-	17,629,460
Plant services	45,394,992	-	18,616	-	609,725	46,023,333
Transfers of indirect costs	(1,008,758)	-	-	-	1,008,758	-
Capital Outlay	8,921,522	10,008,897	2,061,233	-	3,841,485	24,833,137
Intergovernmental	141,121	-	-	-	-	141,121
Debt Service:						
Principal	-	-	-	4,490,000	1,170,036	5,660,036
Interest	-	-	-	8,509,727	700,477	9,210,204
Total Expenditures	493,442,243	10,008,897	2,452,949	12,999,727	35,931,268	554,835,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,157,913)	(8,532,287)	3,573,518	10,671,180	949,494	(14,496,008)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	42,874	3,773,693	-	-	2,933,142	6,749,709
Interfund transfers out	(2,520,105)	-	-	-	(5,046,257)	(7,566,362)
Issuance of non-obligatory debt	-	-	-	-	6,750,010	6,750,010
Total Other Financing Sources and Uses	(2,477,231)	3,773,693	-	-	4,636,895	5,933,357
Net Change in Fund Balances	(23,635,144)	(4,758,594)	3,573,518	10,671,180	5,586,389	(8,562,651)
Fund Balances, July 1, 2017	98,523,784	104,798,701	8,784,730	18,823,890	24,909,926	255,841,031
Fund Balances, June 30, 2018	$ 74,888,640	$ 100,040,107	$ 12,358,248	$ 29,495,070	$ 30,496,315	$ 247,278,380

RIVERSIDE UNIFIED 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

Total net change in fund balances - governmental funds		$ (8,562,651)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay, governmental funds	20,651,430	
Depreciation expense	(19,182,233)	
Net:		1,469,197
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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		5,660,036
In governmental funds, postemployment benefits (OPEB) expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year the difference between OPEB expenses and actual employer contributions was:		20,910,766
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is:		947,928
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year amounts and the current year amortization is:		(384,152)
In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis. This year the difference between the accrual basis pension costs and actual employer contributions was:		(23,667,445)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(1,262,683)
In the statement of activities, compensated absences are measured by the amounts *earned* during the 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 vacation leave earned exceeded the amounts used by:		(129,743)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was:		1,476,402
Change in net position of governmental activities		$ (3,542,345)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities Internal Service Fund
ASSETS	
Cash	$ 31,517,831
Accounts receivable	177,223
Due from other funds	1,455,026
Total assets	33,150,080
LIABILITIES	
Accounts payable	535,909
Due to other funds	78,608
Claims liabilities, current portion	2,602,237
Claims liabilities, long-term portion	7,806,710
Total liabilities	11,023,464
NET POSITION	
Restricted	22,126,616
Total net position	$ 22,126,616

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
State revenue	$ 445
Charges to other funds	26,920,859
Other local revenues	1,374,663
Total operating revenues	28,295,967
OPERATING EXPENSES	
Certificated salaries	46,258
Classified salaries	529,511
Employee benefits	212,751
Books and supplies	55,318
Services and other operating expenditures	27,204,387
Total operating expenses	28,048,225
Operating Income (Loss)	247,742
NON-OPERATING REVENUES (EXPENSES)	
Interfund transfers in	816,653
Interest income	412,007
Total non-operating revenues (expenses)	1,228,660
Change in net position	1,476,402
Net position, July 1, 2017	20,650,214
Net position, June, 30, 2018	$ 22,126,616

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 27,337,685
Cash payments for payroll, insurance and operating expenses	(25,794,621)
Net cash provided (used) by operating activities	1,543,064
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfer in from other fund	816,653
Interest on investments	353,841
Net cash provided (used) by investing activities	1,170,494
Net increase in cash	2,713,558
Cash, July 1, 2017	28,804,273
Cash, June 30, 2018	$ 31,517,831

ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	$ 247,742
(Increase) Decrease in operating assets	
Due from other funds	(938,305)
Accounts receivable	(19,977)
Increase (Decrease) in operating liabilities	
Accounts payable	467,389
Claims liabilities	1,729,001
Due to other funds	47,210
Prepaid expenses	10,004
Net cash provided (used) by operating activities	$ 1,543,064

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		Trust Funds		
	Student Body Funds	Debt Service Fund for Special Tax Bonds	Scholarship Fund	Retiree Benefit Fund	Total
ASSETS					
Cash	$ 1,580,249	$ 764,069	$ 285,856	$ -	$ 2,630,174
Investments	-	11,854,622	-	21,612,774	33,467,396
Accounts receivable	17,165	-	1,384	-	18,549
Inventories	123,595	-	-	-	123,595
Prepaid expenses	3,607	-	-	-	3,607
Total Assets	$ 1,724,616	$ 12,618,691	287,240	21,612,774	36,243,321
LIABILITIES					
Accounts payable	$ 41,040	$ -	20,828	-	61,868
Due to other funds	-	-	2,519	-	2,519
Due to bondholders	-	12,618,691	-	-	12,618,691
Due to student groups	1,683,576	-	-	-	1,683,576
Total Liabilities	$ 1,724,616	$ 12,618,691	23,347	-	14,366,654
NET POSITION					
Restricted for student scholarships			263,893	-	263,893
Restricted for retiree benefits			-	21,612,774	21,612,774
Total Net Position			$ 263,893	$ 21,612,774	$ 21,876,667

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Trust Funds	
	Scholarship Fund	Retiree Benefit Fund
ADDITIONS		
Interest	$ 4,191	$ 817,666
Net increase in fair value of investments	-	259,188
Other local sources	47,156	-
Total Additions	51,347	1,076,854
DEDUCTIONS		
Books and supplies	3,378	-
Other services & operating expenses	67,003	171,885
Total Deductions	70,381	171,885
Net increase (decrease) in net position	(19,034)	904,969
Net Position - July 1, 2017	282,927	20,707,805
Net Position - June 30, 2018	$ 263,893	$ 21,612,774

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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, and agencies that are not legally separate from the District. For Riverside Unified School District, this includes general operations, food service, 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.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Riverside USD Financing Authority ("the Authority") financial activity are presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Authority are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

The Riverside Unified School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)
Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District reports the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

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

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds:

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the certificates of participation and of the Community Facilities Districts.

Debt Service Funds:

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment, of certificates of participation, interest and related costs.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability, workers compensation, and health benefits insurance programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District also maintains a Debt Service Fund for Special Tax Bonds to account for debt service activity of the CFDs.

Scholarship Funds: These funds are used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships for eligible students.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions (continued)
The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data
The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-15 years

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 statement of net position 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 will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' 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. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Riverside Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar
The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

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

I. New GASB Pronouncements
During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. 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 inter-period equity, and creating additional transparency.

   This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

    - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
    - Reporting amounts previously reported as goodwill and "negative" goodwill
    - Classifying real estate held by insurance entities
    - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
    - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
    - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
    - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
    - Classifying employer-paid member contributions for OPEB
    - Simplifying certain aspects of the alternative measurement method for OPEB
    - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018, are reported at fair value and consisted of the following:

		Governmental Activities			
		Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:					
Cash in county treasury		$ 258,739,275	$ 30,452,831	$ 289,192,106	$ 285,856
Deposits:					
Cash on hand and in banks		132,938	-	132,938	1,580,249
Cash in revolving fund		159,910	-	159,910	-
Cash with fiscal agent		-	1,065,000	1,065,000	764,069
Total Deposits		292,848	1,065,000	1,357,848	2,344,318
Total Cash		$ 259,032,123	$ 31,517,831	$ 290,549,954	$ 2,630,174
Investments:	Rating				
US Bank - Money Market	N/A	$ 5,522,262	$ -	$ 5,522,262	$ 11,566,508
US Bank - US Government Bonds	AA+	2,043,960	-	2,043,960	288,114
Mutual Fund - Fixed Income		-	-	-	7,840,062
Mutual Fund - Domestic Equity		-	-	-	10,827,758
Mutual Fund - International Equity		-	-	-	1,945,996
Mutual Fund - Real Estate		-	-	-	998,958
Total Investments		$ 7,566,222	$ -	$ 7,566,222	$ 33,467,396

Investment security ratings reported as of June 30, 2018, are defined by Standard and Poors.

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk 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. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California 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).

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
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, $3,303,435 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2018 consist of the following:

		Maturity		
	Fair Value	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:				
US Bank - Money Market	$ 17,088,770	17,088,770	$ -	Level 2
US Bank - US Government Bonds	2,332,074	2,043,960	288,114	Level 2
Mutual Fund - Fixed Income	7,840,062	7,840,062	-	Level 2
Mutual Fund - Domestic Equity	10,827,758	10,827,758	-	Level 2
Mutual Fund - International Equity	1,945,996	1,945,996	-	Level 2
Mutual Fund - Real Estate	998,958	998,958	-	Level 2
Totals	$ 41,033,618	$ 40,745,504	$ 288,114	

Investments – Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2018, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments – Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had the following investments that represent more than five percent of the District's net investments.

US Bank - Money Market	41.6%
Mutual Fund - Fixed Income	19.1%
Mutual Fund - Domestic Equity	26.4%
Mutual Fund - International Equity	4.7%

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 specified 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 date if reasonably 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 Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

	Governmental Funds					Proprietary Fund	Fiduciary Funds	
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total	Self-Insurance Fund	Associated Student Body Funds	Scholarship Fund
Federal Government:								
Categorical aid programs	$ 5,162,826	$ -	$ -	$ 3,544,514	$ 8,707,340	$ -	$ -	$ -
State Government:								
Lottery	1,742,400	-	-	-	1,742,400	-	-	-
Special education	105,272	-	-	-	105,272	-	-	-
Categorical aid programs	1,137,413	-	-	722,172	1,859,585	-	-	-
Local:								
Interest	392,401	457,517	67,072	92,269	1,009,259	136,036	-	1,384
Food service sales	-	-	-	259,584	259,584	-	-	-
Other local	774,388	-	1,074,604	55,727	1,904,719	41,187	17,165	-
Total	$ 9,314,700	$ 457,517	$ 1,141,676	$ 4,674,266	$ 15,588,159	$ 177,223	$ 17,165	$ 1,384

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

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

	Due from other funds				
	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
General Fund	$ -	$ 18,732	$ 1,782,677	$ 1,801,409	$ 1,452,918
Building Fund	31,882	-	18,732	50,614	-
Capital Facilities Fund	126,560	-	-	126,560	-
Non-Major Governmental Funds	3,919,554	3,000,000	1,227,950	8,147,504	2,108
Self-Insurance Fund	78,608	-	-	78,608	-
Fiduciary Funds	2,519	-	-	2,519	-
Total	$ 4,159,123	$ 3,018,732	$ 3,029,359	$ 10,207,214	$ 1,455,026

The most significant interfund payables are as follows: $570,000 due to the General Fund from the Child Development Fund for a temporary loan and $2,300,000 from the Cafeteria Fund for a temporary loan. A balance of $788,399 is due to the General Fund from the Cafeteria Fund for indirect costs and $109,804 is due to the General Fund from the Adult Education Fund for indirect costs. $3,000,000 and $1,227,950 is due to the Building Fund and the Special Reserve Fund for Capital Outlay Projects, respectively, from the Capital Projects Fund for Blended Component Units for projects costs.

NOTE 4 – INTERFUND ACTIVITIES (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended at June 30, 2018, consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for project costs	$ 1,220,223
General Fund transfer to Debt Service Fund for long-term debt payments	483,229
General Fund transfer to Self Insurance Fund for premium payments	816,653
Adult Education Fund transfer to General Fund for program supplies	5,639
Child Development Fund transfer to General Fund for program costs	2,914
Cafeteria Fund transfer to Special Reserve Fund for Capital Outlay Projects for engineering services	1,740
County School Facilities Fund transfer to Building Fund for bond projects	773,693
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for expenditure reimbursement	34,321
Capital Projects Fund for Blended Component Units transfer to Building Fund for project costs	3,000,000
Capital Projects Fund for Blended Component Units transfer to Special Reserve Fund for Capital Outlay Projects for projects costs	1,227,950
	$ 7,566,362

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	$ 150,000	$ -	$ -	$ -	$ 9,910	$ 159,910
Stores inventories	97,718	-	-	-	345,946	443,664
Prepaid expenditures	152,591	-	-	-	-	152,591
Total Nonspendable	400,309	-	-	-	355,856	756,165
Restricted:						
Categorical programs	33,247,485	-	-	-	1,142,529	34,390,014
Food service program	-	-	-	-	6,534,724	6,534,724
Capital projects	-	100,040,107	12,358,248	-	13,425,737	125,824,092
Debt service	-	-	-	29,495,070	1,687,831	31,182,901
Total Restricted	33,247,485	100,040,107	12,358,248	29,495,070	22,790,821	197,931,731
Committed:						
Other commitments	23,097,527	-	-		4,119,122	27,216,649
Total Committed	23,097,527	-	-	-	4,119,122	27,216,649
Assigned:						
Other assignments	8,224,072	-	-	-	3,230,516	11,454,588
Total Assigned	8,224,072	-	-	-	3,230,516	11,454,588
Unassigned:						
Reserve for economic uncertainties	9,919,247	-	-	-	-	9,919,247
Total Unassigned	9,919,247	-	-	-	-	9,919,247
Total	$ 74,888,640	$ 100,040,107	$ 12,358,248	$ 29,495,070	$ 30,496,315	$ 247,278,380

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	$ 46,041,909	$ -	$ -	$ 46,041,909
Construction in progress	20,281,084	5,037,722	20,094,190	5,224,616
Total capital assets not being depreciated	66,322,993	5,037,722	20,094,190	51,266,525
Capital assets being depreciated:				
Buildings and improvements	699,621,037	33,671,488	-	733,292,525
Furniture and equipment	17,174,062	2,036,410	-	19,210,472
Total capital assets being depreciated	716,795,099	35,707,898	-	752,502,997
Accumulated depreciation for:				
Buildings and improvements	(221,514,087)	(18,283,774)	-	(239,797,861)
Furniture and equipment	(15,309,069)	(898,459)	-	(16,207,528)
Total accumulated depreciation	(236,823,156)	(19,182,233)	-	(256,005,389)
Total capital assets being depreciated, net	479,971,943	16,525,665	-	496,497,608
Governmental activity capital assets, net	$ 546,294,936	$ 21,563,387	$ 20,094,190	$ 547,764,133

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:	
Instruction	$ 13,039,800
Supervision of instruction	602,276
Instructional library, media and technology	214,649
School site administration	1,516,723
Home-to-school transportation	446,319
Food services	2,605
All other pupil services	709,313
Data processing services	213,435
All other general administration	600,057
Plant services	1,837,056
Total depreciation expense	$ 19,182,233

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 229,220,000	$ -	$ 4,490,000	$ 224,730,000	$ 18,260,000
Unamortized Issuance Premium	15,847,569	-	947,928	14,899,641	947,928
Total G.O. Bonds	245,067,569	-	5,437,928	239,629,641	19,207,928
Certificates of Participation	18,595,382	-	1,170,036	17,425,346	1,152,694
Compensated Absences	5,821,335	129,743	-	5,951,078	-
Claims Liabilities	6,509,959	1,296,751	-	7,806,710	-
Other Postemployment Benefits*	65,302,659	6,005,813	24,104,207	47,204,265	-
Total	$ 341,296,904	$ 7,432,307	$ 30,712,171	$ 318,017,040	$ 20,360,622

**Beginning balance of OPEB has been restated due to changes in the accounting methods used to implement GASB Statement No.75.*

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. The claims liabilities will be paid from the Self-Insurance Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, none of the defeased bonds remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding of bonds were $5,411,138.

Election of 2016

On November 8, 2016, an election was held at which registered voters in the District approved by more than 55% of the votes a measure which authorizes the District to issue general obligation bonds in the maximum aggregate amount of $392,000,000. On May 25, 2017, the District issued $100,000,000 general obligation bonds. The bonds will be used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and pay the costs of issuance of the bonds.

A summary of general obligation bonds issued by the District is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
2011 Refunding	10/5/2011	2/1/2027	2.0%-5.0%	$ 46,125,000	$ 32,420,000	$ -	$ 1,590,000	30,830,000
2015 Refunding	6/17/2015	8/1/2030	2.0%-5.0%	48,810,000	44,450,000	-	2,525,000	41,925,000
2016 Refunding	5/25/2016	8/1/2038	0.7%-4.32%	53,365,000	52,350,000	-	375,000	51,975,000
2016 (A)	5/25/2017	8/1/2041	3.0%-5.0%	100,000,000	100,000,000	-	-	100,000,000
				$ 248,300,000	$ 229,220,000	$ -	$ 4,490,000	$ 224,730,000

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 18,260,000	$ 9,475,318	$ 27,735,318
2019-2020	19,030,000	8,714,469	27,744,469
2020-2021	8,160,000	8,071,531	16,231,531
2021-2022	9,635,000	7,702,496	17,337,496
2022-2023	8,165,000	7,255,178	15,420,178
2023-2028	42,300,000	29,508,209	71,808,209
2028-2033	43,700,000	20,165,780	63,865,780
2033-2038	47,250,000	11,343,788	58,593,788
2038-2042	28,230,000	1,958,432	30,188,432
Total	$ 224,730,000	$ 104,195,201	$ 328,925,201

B. Certificates of Participation

On May 1, 2009, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of $8,605,000. The certificates were issued to prepay the District's COP for the 1998 School Facility Bridge Refunding Program, provide a reserve account and pay issuance costs. The interest rate of the certificates ranges from 3.0% to 5.0% and mature on September 1, 2027. At June 30, 2018, the principal balance outstanding was $5,500,000.

On June 1, 2015, the Riverside Unified School District Facilities Corporation issued certificates of participation in the amount of $10,000,000. The funds will be used by the District to acquire certain school facilities and pay the issuance costs. The interest rate for the certificates is 3.69%, and the certificates fully mature on June 1, 2035. At June 30, 2018, the principal outstanding balance was $9,230,000.

Prior-Year Defeasance of Debt – 2016 COP Refunding

In prior years, the District defeased certain certificates of participation by placing the proceeds of new refunding certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District's financial statements. At June 30, 2018, none of the defeased certificates remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding of certificates of participation were $81,474. At June 30, 2018, the principal outstanding balance was $2,695,346.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 1,152,694	$ 668,637	$ 1,821,331
2019-2020	1,136,197	626,971	1,763,168
2020-2021	1,179,164	583,622	1,762,786
2021-2022	1,218,774	537,481	1,756,255
2022-2023	1,272,944	488,485	1,761,429
2023-2028	6,620,573	1,614,804	8,235,377
2028-2033	2,860,000	638,001	3,498,001
2033-2035	1,985,000	105,532	2,090,532
Total	$ 17,425,346	$ 5,263,533	$ 22,688,879

C. Claims Liability

The District has an outstanding long-term liability for incurred, but not reported, claims for the District's self-insured programs in the amount of $7,806,710. The total claims liability is reported in Note 9, but only the long-term portion is reported here.

D. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $106,525,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – JOINT VENTURES

The Riverside Unified School District participates in joint ventures under joint powers agreements with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

NOTE 8 – JOINT VENTURES (continued)

The ASCIP JPA provides workers compensation as well as property and liability insurance coverage for its member districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed unaudited financial information for the year ended June 30, 2018, is as follows:

		ASCIP
Assets	$	432,804,369
Deferred Outflows		1,683,588
Liabilities		239,767,762
Deferred Inflows		604,583
Net Position	$	194,115,612
Revenues	$	271,484,105
Expenses		262,183,364
Change in Net Position	$	9,300,741

NOTE 9 – RISK MANAGEMENT

Property and Liability
The Property and Liability Program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Programs (ASCIP). General liability claims in excess of a $100,000 self-insured retention are covered up to $5,000,000 per occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation
Workers' compensation claims in excess of a $500,000 self-insured retention are covered up to $10,000,000 per occurrence through ASCIP.

Employee Medical Benefits
Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

NOTE 9 – RISK MANAGEMENT (continued)

Unpaid Claims Liabilities (continued)
The following represent the changes in approximate aggregate liabilities for the District's workers' compensation and health insurance program from July 1, 2016 to June 30, 2018:

	Health Insurance	Workers' Compensation
Liability Balance, July 1, 2016	$ 1,667,000	$ 6,509,493
Claims and changes in estimates	16,661,363	1,294,451
Claims payments	(16,567,363)	(884,997)
Liability Balance, June 30, 2017	1,761,000	6,918,947
Claims and changes in estimates	20,303,841	3,297,505
Claims payments	(20,303,841)	(3,191,188)
Liability Balance, June 30, 2018	$ 1,761,000	$ 7,025,264
Assets available to pay claims at June 30, 2018	$ 4,244,097	$ 14,489,203

NOTE 10 – 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 reimbursement will not be material.

B. Litigation
The District is involved in various litigation. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

C. Construction Commitments
As of June 30, 2018, the District had commitments with respect to unfinished capital projects of $20.6 million. A detailed listing of outstanding construction commitments at June 30, 2018, is as follows:

Project Description	Remaining Construction Commitments	Expected Date of Completion
Maxine Frost Elementary School*	1,014,318	TBD
Madison Elementary School - HVAC & Energy Management System	387,975	6/1/2019
Henry W. Longfellow Elementary School - Lighting & HVAC	31,972	7/1/2018
University Heights Middle School - Lighting & HVAC	113,886	7/1/2018
Grant Education Center Renovation	7,838,671	6/1/2020
District Office ADA, Seismic & Security Upgrades	6,973,900	6/1/2020
Abraham Lincoln High School Auto Shop Lab	786,752	6/1/2019
Board Room Modernization	3,460,211	6/1/2020
	$ 20,607,685	

*Project has been placed on hold indefinitely.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 380,853,493	$ 130,604,225	$ 16,785,887	$ 46,386,611
CalPERS	131,440,402	50,703,864	1,547,548	25,391,774
Total	$ 512,293,895	$ 181,308,089	$ 18,333,435	$ 71,778,385

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state 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.

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $32,600,983.

Pension Liabilities, Pension Expenses, and 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 that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	380,853,493
State's proportionate share of the net pension liability associated with the District		88,944,000
Total	$	469,797,493

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2017. 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 school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.411800%	0.403000%	0.008800%

For the year ended June 30, 2018, the District recognized pension expense of $46,386,611. In addition, the District recognized pension expense and revenue of $4,015,055 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 32,600,983	$ -
Net change in proportionate share of net pension liability	26,037,252	-
Difference between projected and actual earnings on pension plan investments	-	10,143,189
Changes of assumptions	70,557,557	-
Differences between expected and actual experience in the measurement of the total pension liability	1,408,433	6,642,698
Total	$ 130,604,225	$ 16,785,887

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 11 – PENSION PLANS (continued)

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

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,	Deferred Outflows/(Inflows) of Resources
2019	$ 6,796,242
2020	21,609,499
2021	16,148,732
2022	6,215,572
2023	15,996,357
Thereafter	14,450,953
Total	$ 81,217,355

Actuarial Methods and Assumptions

Total pension liability for STRS 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. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. 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 in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our 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 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.

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 559,213,838
Current discount rate (7.10%)	380,853,493
1% increase (8.10%)	236,101,985

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $18,470,488 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the 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.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions (continued)
The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $11,494,902.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $131,440,402. The net pension liability was measured as of June 30, 2017. 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 school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.550600%	0.509200%	0.041400%

For the year ended June 30, 2018, the District recognized pension expense of $25,391,774. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,494,902	$ -
Net change in proportionate share of net pension liability	10,754,117	-
Difference between projected and actual earnings on pension plan investments	4,546,939	-
Changes of assumptions	19,198,938	1,547,548
Differences between expected and actual experience in the measurement of the total pension liability	4,708,968	-
Total	$ 50,703,864	$ 1,547,548

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
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,	Deferred Outflows/(Inflows) of Resources
2019	$ 10,721,473
2020	16,021,749
2021	11,708,054
2022	(789,862)
2023	-
Thereafter	-
Total	$ 37,661,414

Actuarial Methods and Assumptions
Total pension liability for SEP 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. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 193,390,951
Current discount rate (7.15%)	131,440,402
1% increase (8.15%)	80,047,233

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 the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2017, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

Plan description
The Riverside Unified School District has established the Futuris Public Entity Investment Trust. This Trust is an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees and former employees of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as "other post-employment benefits," or "OPEB.") This Trust was established and is managed in compliance with the applicable Governmental Accounting Standards Board (GASB) standards for OPEB.

The District's governing body has established by resolution a Retirement Board of Authority (the "Board") to supervise the Trust. The Board has been established to manage, direct, and control the Fiduciary, Trust Settlor and Administrative functions. As mandated by the California Government Code, the Board shall perform all its duties with the care, skill, and diligence that a prudent person would utilize. The Board shall also act solely in the interest of plan participants and beneficiaries with the sole purpose of providing benefits to them and paying only necessary and reasonable expenses for administrating the Trust. The Board shall oversee that the Trust's assets are diversified in order to minimize the risk of large investment losses. The Board will have the exclusive authority to establish, execute, and interpret the Trust's written Investment Policy Statement (IPS) which profiles the long-term investment objectives of the Trust.

Benefits provided
The Plan provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer. An employee who is covered by the medical plan has met eligibility requirements listed below is eligible to elect post-retirement coverage at retirement.

<u>Certificated Retirees:</u> Attainment of age 55 and the completion of 15 years of full-time service out of the last 19 years prior to retirement.

<u>Management, Confidential, and Cabinet Retirees:</u> Retirement under PERS or STRS, attainment of age 50 (PERS) or 55 (STRS) and completion of 15 years of full-time service with 5 years of District service immediately prior to retirement.

<u>Classified Retirees:</u> Attainment of age 50 and completion of 10 years of District service.

Employees covered by benefit terms
At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	242
Active employees	3,300
Total	3,542

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Plan Description (continued)

Contributions
The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Medicare Premium Payment (MPP) Program
The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Net OPEB Liability
The District's net OPEB liability for the District plan was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	July 1, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Discount rate	3.72%	3.58%
Salary increases	2.50%	N/A
Investment rate of return	6.90%	N/A
Healthcare cost trend rates	7.25% for fiscal year end 2018, decreasing 0.25% per year to an ultimate rate of 5.00%	3.7% for Medicare Part A, and 4.1% for Medicare Part B

District Plan
The discount rate for GASB 75 has been set equal to 3.72% which is a blend of the rate of return on assets equal to 6.90% and the Municipal GO AA 20-year yield curve rate as of June 30, 2017, which is 3.56%.

Mortality rates were based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

MPP Program
The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Net OPEB Liability (continued)

MPP Program (continued)
CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. 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 in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

C. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2017	$ 62,234,999	$ -	$ 62,234,999
Changes for the year:			
Service cost	3,148,069	-	3,148,069
Interest	2,378,137	-	2,378,137
Employer contributions	-	22,936,140	(22,936,140)
Actual investment income	-	773,214	(773,214)
Administrative expense	-	(65,409)	65,409
Benefit payments	(2,936,140)	(2,936,140)	-
Changes of benefit terms	329,461	-	329,461
Net changes	2,919,527	20,707,805	(17,788,278)
Balance at June 30, 2018*	$ 65,154,526	$ 20,707,805	44,446,721
District's Proportionate Share of the Net MPP OPEB Liability			2,757,544
District's Total Reported Net OPEB Liability			$ 47,204,265

* Measurement date is July 1, 2017

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.72%	Discount Rate 3.72%	1% Increase 4.72%
District Plan	$ 50,166,911	$ 44,446,721	$ 39,222,194

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	$ 3,052,793	$ 2,757,544	$ 2,470,351

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Net OPEB Liability (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.25% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.25% decreasing to 5.0%)	1% Increase (8.25% decreasing to 6.0%)
District Plan	$ 38,247,043	$ 44,446,721	$ 51,668,029

	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	$ 2,491,863	$ 2,757,544	$ 3,020,571

OPEB plan fiduciary net position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Futuris Trust financial report.

D. 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 $20,910,766. At June 30, 2018, the District reported deferred outflows of resources resulting from District contributions subsequent to the measurement date of the net OPEB liability of $2,812,372, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. There were no other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB.

E. Payable to the OPEB Plan
At June 30, 2018, the District reported no payables for outstanding contributions to Futuris Trust for the year ended June 30, 2018.

Required Supplementary Information

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RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 369,968,342	$ 369,877,446	$ 369,479,397	$ (398,049)
Federal Sources	26,601,223	32,240,363	27,927,669	(4,312,694)
Other State Sources	53,699,755	69,400,077	65,213,086	(4,186,991)
Other Local Sources	5,500,943	9,229,900	9,664,178	434,278
Total Revenues	455,770,263	480,747,786	472,284,330	(8,463,456)
Expenditures				
Current:				
Certificated Salaries	222,357,774	228,350,038	226,576,145	1,773,893
Classified Salaries	68,584,176	70,436,380	72,707,655	(2,271,275)
Employee Benefits	111,667,228	115,867,757	114,465,751	1,402,006
Books and Supplies	30,144,189	37,443,155	21,737,577	15,705,578
Services and Other Operating Expenditures	54,760,941	55,427,727	47,503,784	7,923,943
Capital Outlay	6,915,301	14,712,600	10,310,210	4,402,390
Intergovernmental	80,000	156,500	141,121	15,379
Total Expenditures	494,509,609	522,394,157	493,442,243	28,951,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,739,346)	(41,646,371)	(21,157,913)	20,488,458
Other Financing Sources and Uses				
Interfund Transfers In	-	2,914	42,874	39,960
Interfund Transfers Out	-	-	(2,520,105)	(2,520,105)
Total Other Financing Sources and Uses	-	2,914	(2,477,231)	(2,480,145)
Net Change in Fund Balance	(38,739,346)	(41,643,457)	(23,635,144)	18,008,313
Fund Balances, July 1, 2017	98,523,784	98,523,784	98,523,784	-
Fund Balances, June 30, 2018	$ 59,784,438	$ 56,880,327	$ 74,888,640	$ 18,008,313

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.4118%	0.4030%	0.3980%	0.3670%
District's proportionate share of the net pension liability	$ 380,853,493	$ 325,950,430	$ 267,949,520	$ 214,463,790
State's proportionate share of the net pension liability associated with the District	88,944,000	185,585,085	141,715,378	129,503,796
Totals	$ 469,797,493	$ 511,535,515	$ 409,664,898	$ 343,967,586
District's covered-employee payroll	$ 220,000,906	$ 203,826,337	$ 184,818,401	$ 166,812,727
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.11%	159.92%	144.98%	128.57%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.5506%	0.5092%	0.4901%	0.4797%
District's proportionate share of the net pension liability	$ 131,440,402	$ 100,567,315	$ 72,241,224	$ 54,457,630
District's covered-employee payroll	$ 70,221,774	$ 61,123,972	$ 54,339,648	$ 61,956,188
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.18%	164.53%	132.94%	87.90%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan’s annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

Last Ten Fiscal Years*

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 32,600,983	$ 27,676,114	$ 21,870,566	$ 16,411,874
Contributions in relation to the contractually required contribution	32,600,983	27,676,114	21,870,566	16,411,874
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 225,925,038	$ 220,000,906	$ 203,826,337	$ 184,818,401
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 11,494,902	$ 9,752,400	$ 7,241,357	$ 6,396,320
Contributions in relation to the contractually required contribution	11,494,902	9,752,400	7,241,357	6,396,320
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 74,012,633	$ 70,221,774	$ 61,123,972	$ 54,339,648
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	3,148,069
Interest		2,378,137
Changes of benefit terms		329,461
Benefit payments		(2,936,140)
Net change in total OPEB liability		2,919,527
Total OPEB liability - beginning		62,234,999
Total OPEB liability - ending	$	65,154,526
Plan fiduciary net position		
Contributions - employer	$	20,000,000
Net investment income		773,214
Administrative expense		(65,409)
Net change in plan fiduciary net position		20,707,805
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending	$	20,707,805
District's net OPEB liability	$	44,446,721
Plan fiduciary net position as a percentage of the total OPEB liability		31.78%
Covered-employee payroll	$	273,898,274
District's net OPEB liability as a percentage of covered-employee payroll		16.23%

Notes to Schedule:

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018

(Dollars in Thousands, except for District's proportionate share)

	2017
Total OPEB liability	
Interest	$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	$ 420,749
Plan fiduciary net position	
Contributions - employer	$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	$ 41
Net OPEB liability	$ 420,708
District's proportionate share of net OPEB liability	$ 2,757,544
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

		2018
Actuarially determined contribution	$	2,936,140
Contributions in relation to the actuarially determined contribution		22,936,140
Contribution deficiency (excess)	$	(20,000,000)
Covered-employee payroll	$	273,898,274
Contributions as a percentage of covered-employee payroll		8.37%

Notes to Schedule:

Contributions shown in this schedule are for the District Plan only.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions to CalSTRS. In accordance with Education Code Section 25930, contributions that would otherwise be credited to the CalSTRS defined benefit pension program each month are instead credited to the MPP Program.

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the expected "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown. This is the first valuation under GASB 75 for the reported Plan.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Proportionate Share of the Net Pension Liability
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

Schedule of OPEB Contributions
This is a 10-year schedule presenting for each year certain information if an actuarially determined contribution is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
General Fund:	
Classified Salaries	$ 2,271,275
Interfund Transfers Out	2,520,105

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Supplementary Information

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Riverside Unified School District is governed by a five member, elected, Board of Education. The District encompasses an area of about 92 square miles located in the northwestern portion of Riverside County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District and the Riverside City High School District. The District operates twenty-nine elementary schools, seven middle schools, five high schools, and nine specialty schools consisting of one adult school, one alternative school of choice, two continuation high schools, one STEM academy, one virtual school, one opportunity school, one special education school, and one preschool.

Governing Board

Member	Office	Term Expires
Patricia Lock-Dawson	President	December 2020
Dr. Angelov Farooq	Vice President	December 2020
Kathy Y. Allavie	Clerk	December 2018
Tom Hunt	Member	December 2020
Brent Lee	Member	December 2018

DISTRICT ADMINISTRATORS

David Hansen, Ed.D.,
Superintendent

Lynn Carmen Day,
Chief Academic Officer

Mays Kakish,
Chief Business Officer and Governmental Relations

Kyley Ybarra,
Assistant Superintendent, Department of Personnel Leadership and Development

Antonio Garcia,
Assistant Superintendent, Professional Growth Systems

Dr. Ryan Lewis,
Assistant Superintendent, Curriculum and Instruction, K-12

Sergio San Martin,
Assistant Superintendent, Operations

Timothy Walker,
Assistant Superintendent, Pupil Services, SELPA, Special Education

Dr. Jacqueline Perez,
Assistant Superintendent, Instructional Support K-12

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report Certificate No. (9E0A67DE)	Annual Report Certificate No. (180B1D62)
Regular ADA:		
Transitional Kindergarten through Third	11,468.68	11,474.46
Fourth through Sixth	9,284.16	9,271.59
Seventh through Eighth	6,070.90	6,060.11
Ninth through Twelfth	12,315.29	12,247.37
Total Regular ADA	39,139.03	39,053.53
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	3.10	2.83
Fourth through Sixth	7.44	6.93
Seventh through Eighth	16.52	14.43
Ninth through Twelfth	40.78	35.50
Total Special Education, Nonpublic, Nonsectarian Schools	67.84	59.69
Total ADA	39,206.87	39,113.22

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

Grade Level	Required Minutes	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	57,280	181	Complied
Grade 1	50,400	51,600	181	Complied
Grade 2	50,400	51,600	181	Complied
Grade 3	50,400	51,600	181	Complied
Grade 4	54,000	54,062	181	Complied
Grade 5	54,000	54,062	181	Complied
Grade 6	54,000	54,062	181	Complied
Grade 7	54,000	57,570	180	Complied
Grade 8	54,000	57,610	180	Complied
Grade 9	64,800	65,010	180	Complied
Grade 10	64,800	65,010	180	Complied
Grade 11	64,800	65,010	180	Complied
Grade 12	64,800	65,010	180	Complied

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019[3]	2018	2017	2016
Revenues and other financing sources	$ 476,070,266	$ 472,327,204	$ 462,050,323	$ 454,643,418
Expenditures	484,481,230	493,442,243	476,886,484	424,371,192
Other uses and transfers out	-	2,520,105	3,064,727	3,846,490
Total outgo	484,481,230	495,962,348	479,951,211	428,217,682
Change in fund balance (deficit)	(8,410,964)	(23,635,144)	(17,900,888)	26,425,736
Ending fund balance	$ 66,477,676	$ 74,888,640	$ 98,523,784	$ 116,424,672
Available reserves [1]	$ 9,689,630	$ 9,919,247	$ 9,599,025	$ 8,564,354
Available reserves as a percentage of total outgo	2.0%	2.0%	2.0%	2.0%
Total long-term debt	$ 809,950,313	$ 830,310,935	$ 767,814,649	$ 578,061,723
Average daily attendance at P-2 [2]	38,828	39,207	39,734	39,687

The General Fund balance has decreased by $41,536,032 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of $8,410,964. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by $252.2 million over the past two years.

Average daily attendance has decreased by 480 over the past two years. A decrease of 379 ADA is anticipated during the fiscal year 2018-19.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Excludes Adult Education ADA.

[3] Revised Final Budget September, 2018.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
School Breakfast Program - Especially Needy	10.553	13526	$ 3,660,714	
National School Lunch Program	10.555	13523	12,400,690	
USDA Donated Foods	10.555	N/A	1,486,898	
Subtotal Child Nutrition Cluster				$ 17,548,302
Nutritional Education and Obesity Program	10.561	N/A		114,932
Child and Adult Care Food Program	10.558	13393	2,352,519	
Cash in Lieu of Commodities	10.558	13389	169,338	
Subtotal Child and Adult Care Food Program				2,521,857
Total U.S. Department of Agriculture				20,185,091
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.357	N/A		273,218
Total U.S. Department of Defense				273,218
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	235,066	
Adult Secondary Education	84.002	13978	95,626	
English Literacy & Civics Education	84.002A	14109	91,676	
Subtotal Adult Basic Education Cluster				422,368
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants	84.010	14329		11,265,517
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	23900		20,841
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,638,730
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		86,005
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	550,274	
Title III, Immigrant Education Program	84.365	15146	59,144	
Subtotal English Language Acquisition Grants Cluster				609,418
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		1,362,722
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332		138,606
Carl D. Perkins Career and Technical Education: Secondary Sec 131	84.048	14894		284,537
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	7,120,880	
Local Assistance, Part B, Private School ISPs	84.027	10115	9,592	
Preschool Grants, Part B, Sec 619	84.173	13430	205,943	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,085,206	
Mental Health Allocation Plan, Part B	84.027A	14468	493,391	
Preschool Staff Development, Part B	84.173A	13431	4,372	
Subtotal Special Education Cluster (IDEA)				8,919,384
Early Intervention Grants	84.181	24314		115,379
Total U.S. Department of Education				24,863,507
U.S. Department of Health & Human Services:				
Passed through Riverside County Office of Education (RCOE):				
Head Start	93.600	10016	1,159,613	
Head Start Child Care Partnership Grant	93.600	15291	116,574	
Subtotal Head Start Cluster				1,276,187
Passed through California Department of Health Services:				
Medi-Cal Administrative Activities	93.778	10060	1,438,872	
Medi-Cal Billing Option	93.778	10013	44,900	
Subtotal Medicaid Cluster				1,483,772
Total U.S. Department of Health & Human Services				2,759,959
Total Expenditures of Federal Awards				$ 48,081,775

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2018

Charter School	Included in Financial Statements
REACH Leadership Academy (#1409)	Not included
Encore High School for the Arts - Riverside (#1747)	Not included

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash	$ 2,132,952	$ 347,756	$ 5,849,898	$ 4,517,905	$ 10,082,408	$ -	$ 467,462	$ 23,398,381
Investments	-	-	-	-	-	6,831,410	734,812	7,566,222
Accounts receivable	320,650	409,534	3,848,672	22,739	70,343	-	2,328	4,674,266
Due from other funds	-	-	92,957	-	2,453,173	-	483,229	3,029,359
Inventories	-	-	345,946	-	-	-	-	345,946
Total Assets	$ 2,453,602	$ 757,290	$ 10,137,473	$ 4,540,644	$ 12,605,924	$ 6,831,410	$ 1,687,831	$ 39,014,174
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 17,836	$ 62,412	$ 152,954	$ -	$ 135,045	$ -	$ -	$ 368,247
Due to other funds	114,113	694,878	3,093,939	18,732	-	4,227,950	-	8,149,612
Total Liabilities	131,949	757,290	3,246,893	18,732	135,045	4,227,950	-	8,517,859
Fund Balances								
Nonspendable	-	-	355,856	-	-	-	-	355,856
Restricted	1,142,529	-	6,534,724	4,521,912	6,300,365	2,603,460	1,687,831	22,790,821
Committed	-	-	-	-	4,119,122	-	-	4,119,122
Assigned	1,179,124	-	-	-	2,051,392	-	-	3,230,516
Total Fund Balances	2,321,653	-	6,890,580	4,521,912	12,470,879	2,603,460	1,687,831	30,496,315
Total Liabilities and Fund Balances	$ 2,453,602	$ 757,290	$ 10,137,473	$ 4,540,644	$ 12,605,924	$ 6,831,410	$ 1,687,831	$ 39,014,174

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES								
Federal sources	$ 422,368	$ -	$ 20,185,091	$ -	$ -	$ -	$ -	$ 20,607,459
Other state sources	3,070,801	3,007,619	1,291,907	581,882	4,697,352	-	-	12,649,561
Other local sources	60,045	119,617	3,207,778	75,553	142,216	6,242	12,291	3,623,742
Total Revenues	3,553,214	3,127,236	24,684,776	657,435	4,839,568	6,242	12,291	36,880,762
EXPENDITURES								
Current:								
Instruction:								
Instruction related-services	2,464,091	2,478,009	-	-	-	-	-	4,942,100
Supervision of instruction	47,823	455,720	-	-	-	-	-	503,543
School site administration	786,495	-	-	-	-	-	-	786,495
Pupil support services:								
Food services	-	5,742	22,302,615	-	-	-	-	22,308,357
All other pupil services	-	60,292	-	-	-	-	-	60,292
General administration services:								
Plant services	245,869	13,689	350,167	-	-	-	-	609,725
Transfers of indirect costs	109,489	110,870	788,399	-	-	-	-	1,008,758
Capital outlay	600,612	-	5,344	562,211	2,550,195	123,123	-	3,841,485
Debt service:								
Principal	-	-	-	-	-	-	1,170,036	1,170,036
Interest	-	-	-	-	-	-	700,477	700,477
Total Expenditures	4,254,379	3,124,322	23,446,525	562,211	2,550,195	123,123	1,870,513	35,931,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(701,165)	2,914	1,238,251	95,224	2,289,373	(116,881)	(1,858,222)	949,494
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	-	-	-	-	2,449,913	-	483,229	2,933,142
Interfund transfers out	(5,639)	(2,914)	(1,740)	(773,693)	(34,321)	(4,227,950)	-	(5,046,257)
Isasuance of non-obligatory debt	-	-	-	-	-	6,750,010	-	6,750,010
Total Other Financing Sources and Uses	(5,639)	(2,914)	(1,740)	(773,693)	2,415,592	2,522,060	483,229	4,636,895
Net Change in Fund Balances	(706,804)	-	1,236,511	(678,469)	4,704,965	2,405,179	(1,374,993)	5,586,389
Fund Balances, July 1, 2017	3,028,457	-	5,654,069	5,200,381	7,765,914	198,281	3,062,824	24,909,926
Fund Balances, June 30, 2018	$ 2,321,653	$ -	$ 6,890,580	$ 4,521,912	$ 12,470,879	$ 2,603,460	$ 1,687,831	$ 30,496,315

NOTE 1 – PURPOSE OF SCHEDULES

Individual Combining Financial Statements

Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 48,535,128
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	(19,023)
Medi-Cal Administrative Activities	93.778	(434,330)
Total Schedule of Expenditures of Federal Awards		$ 48,081,775

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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
Riverside Unified School District
Riverside, 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 Riverside Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Riverside Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2018.

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

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro + Nigro, PC

Murrieta, California
November 20, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Riverside Unified School District
Riverside, California

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

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 Education Agencies and State Compliance Reporting*. 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 on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Riverside Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
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	Yes
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

Unmodified Opinion on Compliance with State Programs

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

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

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

Board of Education
Riverside Unified School District
Riverside, California

Report on Compliance for Each Major Federal Program
We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Riverside Unified School District's major federal programs for the year ended June 30, 2018. Riverside Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

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

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 500.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
10.558	Child and Adult Food Care Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,442,453
Auditee qualified as low-risk auditee?	Yes

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2017-001: School-Wide Plans	Code of Federal Regulations (CFR) Title 34 – Education, Part 200, section 200.28(e), requires grantees and sub-grantees to complete a school-wide plan which contains certain required components, one of which is a transition plan for assisting preschool children in the successful transition to the schoolwide program. The school-wide plans for Adams Elementary, Longfellow Elementary and Victoria Elementary lacked the required element regarding a transition plan for assisting preschool children in the successful transition to the schoolwide program.	50000	The District should closely monitor the reporting of the school-wide plans and include a transition plan for assisting preschool children in the successful transition to the schoolwide program in its school-wide plans to ensure that all required elements are being addressed.	Implemented.
Finding 2017-002: School Accountability Report Card	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. It was noted that the School Facility Repair Status on the SARC for Franklin Elementary and North High did not match the FIT forms.	72000	We recommend that an employee verify the information presented in the SARC prior to publishing the information.	Implemented.