

**RIVERSIDE UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2017**



RIVERSIDE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2017
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For the Fiscal Year Ended June 30, 2017

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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, 2017, 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 *2016-17 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, 2017, 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.

Change in Accounting Principle

As discussed in Note 12 to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2016-17 due to the adoption of Governmental Accounting Standards Board Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and the early adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of these standards required retrospective application, resulting in a \$47,532,664 reduction of previously reported net position at July 1, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 55 and 56, schedule of proportionate share of the net pension liability on page 57, schedule of pension contributions on page 58, schedule of changes in the District's net OPEB liability and related ratios on page 59, schedule of OPEB contributions on page 60, and schedule of investment returns on page 61 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, 71 to 72, 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 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.



Murrieta, California
January 9, 2018

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 \$30.3 million.
- Governmental expenses were about \$548.7 million. Revenues were about \$518.3 million.
- The District spent \$30.4 million in new capital assets during the year.
- The District increased its outstanding long-term debt by \$87.7 million.
- Grades K-12 average daily attendance (ADA) increased by 47, or 0.1%.

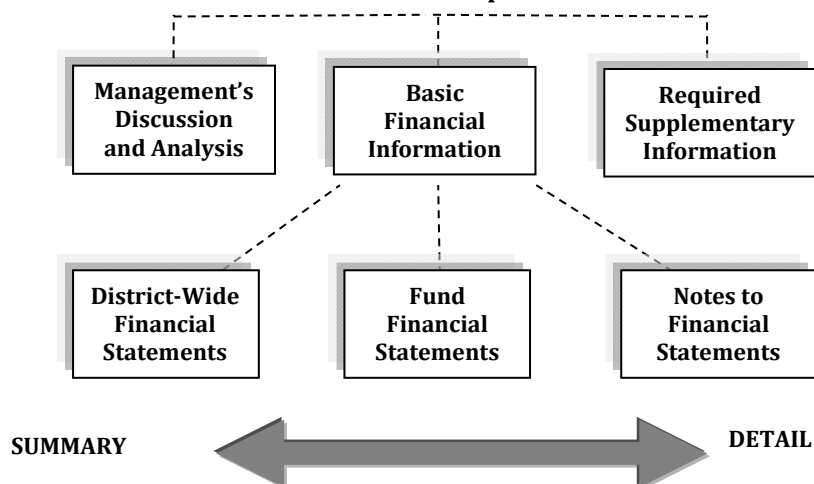
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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

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.



RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017*

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017, than it was the year before – decreasing to \$180.9 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2017	2016*	
Assets			
Current assets	\$ 317,768,089	\$ 252,917,036	\$ 64,851,053
Capital assets	546,294,936	533,713,362	12,581,574
Total assets	<u>864,063,025</u>	<u>786,630,398</u>	<u>77,432,627</u>
Deferred outflows of resources	<u>127,646,850</u>	<u>75,786,983</u>	<u>51,859,867</u>
Liabilities			
Current liabilities	37,774,900	28,046,241	9,728,659
Long-term liabilities	325,611,020	237,870,979	87,740,041
Net pension liability	426,517,745	340,190,744	86,327,001
Total liabilities	<u>789,903,665</u>	<u>606,107,964</u>	<u>183,795,701</u>
Deferred inflows of resources	<u>20,904,136</u>	<u>45,096,894</u>	<u>(24,192,758)</u>
Net position			
Net investment in capital assets	387,628,967	392,969,039	(5,340,072)
Restricted	84,715,596	62,645,491	22,070,105
Unrestricted	(291,442,489)	(244,402,007)	(47,040,482)
Total net position	<u>\$ 180,902,074</u>	<u>\$ 211,212,523</u>	<u>\$ (30,310,449)</u>

*As restated

Changes in net position, governmental activities. The District's total revenues increased 3.8% to \$518.3 million (See Table A-2). The increase is due primarily to one-time monies received from the State.

The total cost of all programs and services increased 16.6% to \$548.7 million. The District's expenses are predominantly related to educating and caring for students, 79.5%. The purely administrative activities of the District accounted for just 4.6% of total costs. A significant contributor to the increase in costs was due to the District making a \$20.0 million contribution to the Retiree Benefit Trust Fund.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Revenues			
Program Revenues:			
Charges for services	\$ 8,712,014	\$ 6,574,197	\$ 2,137,817
Operating grants and contributions	111,137,998	101,733,419	9,404,579
Capital grants and contributions	2,024,950	22,698	2,002,252
General Revenues:			
Property taxes	96,870,789	86,025,546	10,845,243
Federal and state aid not restricted	293,735,289	300,219,755	(6,484,466)
Other general revenues	5,861,421	4,946,125	915,296
Total Revenues	518,342,461	499,521,740	18,820,721
Expenses			
Instruction-related	378,746,794	340,548,689	38,198,105
Pupil services	57,270,256	54,043,691	3,226,565
Administration	25,301,928	20,035,723	5,266,205
Plant services	54,278,208	43,868,579	10,409,629
All other activities	33,055,724	11,938,042	21,117,682
Total Expenses	548,652,910	470,434,724	78,218,186
Increase (decrease) in net position	\$ (30,310,449)	\$ 29,087,016	\$ (59,397,465)

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 \$255.8 million, which is above last year's ending fund balance of \$180.2 million. The primary cause of the increased fund balance is due to the issuance of \$100.0 million in general obligation bonds offset by spending on capital outlay projects.

Table A-3: The District's Fund Balance

Fund	Fund Balances				
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2017
General Fund	\$ 116,424,672	\$ 462,049,318	\$ 476,886,484	\$ (3,063,722)	\$ 98,523,784
Adult Education Fund	2,754,414	3,584,629	3,311,910	1,324	3,028,457
Child Development Fund	-	2,689,787	2,841,766	151,979	-
Cafeteria Fund	6,496,067	24,077,672	25,292,756	373,086	5,654,069
Building Fund	17,157,499	195,366	14,934,319	102,380,155	104,798,701
Capital Facilities Fund	6,955,008	4,977,956	3,166,951	18,717	8,784,730
County School Facilities Fund	4,314,182	2,024,950	1,137,746	(1,005)	5,200,381
Special Reserve Fund (Capital Outlay)	11,017,213	3,210,214	7,006,792	545,279	7,765,914
Capital Outlay Fund for Blended Component Units	3,419,760	830	185,117	(3,037,192)	198,281
Bond Interest and Redemption Fund	9,094,978	10,362,894	10,008,437	9,374,455	18,823,890
Debt Service Fund	2,525,716	14,909	2,109,180	2,631,379	3,062,824
	\$ 180,159,509	\$ 513,188,525	\$ 546,881,458	\$ 109,374,455	\$ 255,841,031

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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 several times. The major budget amendments fall into these categories:

- Revenues – increased by \$20.2 million primarily to reflect changes in estimates from federal and state sources.
- Expenditures – increased \$40.6 million mainly due to the rebudget of carryover funds and increased personnel costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$45.1 million, the actual results for the year show that revenues fell short of expenditures by roughly \$14.8 million. Actual revenues were \$11.2 million less than anticipated, and expenditures were \$41.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$30.4 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 \$17.8 million.

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

	<u>Governmental Activities</u>		Variance Increase (Decrease)
	<u>2017</u>	<u>2016</u>	
Land	\$ 46,041,909	\$ 46,041,909	\$ -
Buildings and improvements	478,106,950	475,517,250	2,589,700
Furniture and equipment	1,864,993	1,848,150	16,843
Construction in progress	20,281,084	10,306,053	9,975,031
Total	<u>\$ 546,294,936</u>	<u>\$ 533,713,362</u>	<u>\$ 12,581,574</u>

Long-Term Debt

At year-end the District had \$325.6 million in general obligation bonds, certificates of participation, claims liabilities, and employment benefits – an increase of 36.9% 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

	<u>Governmental Activities</u>		Variance Increase (Decrease)
	<u>2017</u>	<u>2016*</u>	
General obligation bonds	\$ 245,067,569	\$ 141,383,556	\$ 103,684,013
Certificates of participation	18,595,382	19,938,026	(1,342,644)
Compensated Absences	5,821,335	5,242,876	578,459
Claims Liabilities	6,509,959	6,132,368	377,591
Other Postemployment Benefits	49,616,775	65,174,153	(15,557,378)
Total	<u>\$ 325,611,020</u>	<u>\$ 237,870,979</u>	<u>\$ 87,740,041</u>

*As restated

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

Proposition 98

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

Proposition 98 establishes a minimum spending requirement 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 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. 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 is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly

The 2015-16 minimum guarantee has decreased \$379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased \$53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased \$558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by \$484 million, but total spending, including a settle-up payment of \$514 million, is up slightly (\$29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up \$3.1 Billion Over Revised 2016-17 Level

In 2017-18, total spending across all segments is \$74.5 billion, an increase of \$3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been \$542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of \$536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of \$900 million.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

About One-Third of Increase Covered With Higher Property Tax Revenue

Of the total Proposition 98 spending provided in 2017-18, \$52.6 billion is state General Fund and \$21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases \$2.1 billion (accounting for about two-thirds of the \$3.1 billion increase in spending) and property tax revenue increases by \$1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of \$31 million. This consists of a \$131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a \$100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by \$603 Million

The budget plan includes a \$603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above \$1 billion to \$440 million. Of the \$603 million provided, the budget plan allocates \$514 million for covering 2016-17 LCFF costs, \$86 million for the community college guided pathways initiative, and \$3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

K-12 Education

\$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18

The budgeted 2017-18 level is \$2.7 billion (4.3 percent) more than revised 2016-17 level and \$2.2 billion (3.6 percent) more than the *2016-17 Budget Act* level. The budget increases funding per student by \$450 (4.3 percent) over the *2016-17 Budget Act* level, bringing Proposition 98 funding per student up to \$10,863.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$2.4 billion in augmentations for K-12 education. Of these augmentations, \$1.5 billion are ongoing increases and \$933 million are one-time initiatives. In addition to these changes, the budget package includes \$328 million in one-time initiatives funded from other sources. (Of this amount, \$325 million is from Proposition 98 reversion dollars and \$3 million is from a settle-up payment. Of the reversion dollars, \$114 million is for a fund swap primarily relating to special education.) The budget also authorizes \$593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools

The budget provides an additional \$1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to \$57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

General Purpose Funding (continued)

Funds One-Time Discretionary Grants

The largest one-time augmentation for K-12 education is \$877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance (\$147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third (\$268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be \$799 million at the end of 2017-18.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely

The budget provides \$423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first \$75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next \$100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

Augments After School Education and Safety (ASES) Program

Proposition 49, passed by the voters in 2002, requires the state to provide \$550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received \$7.50 per child per day. The budget increases ASES funding by \$50 million (9%)—bringing total funding to \$600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities

Passed by the voters in November 2016, Proposition 51 authorizes the state to sell \$9 billion in general obligation bonds—\$7 billion for schools and \$2 billion for community colleges. The state plans to issue \$593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of \$368 million in already approved facility projects, as well as \$225 million in additional projects.

Establishes New Audit Rules

Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Riverside Unified School District budget for the 2017-18 fiscal year.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017*

	Total Governmental Activities
ASSETS	
Cash	\$ 302,039,746
Investments	1,418,504
Accounts receivable	13,867,691
Prepaid expenses	89,273
Inventories	352,875
Non-depreciable assets	66,322,993
Depreciable assets	716,795,099
Less, accumulated depreciation	<u>(236,823,156)</u>
Total assets	<u>864,063,025</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	5,876,764
Deferred outflows related to pensions	<u>121,770,086</u>
Total deferred outflows of resources	<u>127,646,850</u>
LIABILITIES	
Accounts payable	31,095,460
Claims liabilities	2,169,987
Unearned revenue	4,509,453
Long-term liabilities:	
Due or payable within one year	6,607,964
Due or payable after one year	319,003,056
Net pension liability	<u>426,517,745</u>
Total liabilities	<u>789,903,665</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>20,904,136</u>
NET POSITION	
Net investment in capital assets	387,628,967
Restricted for:	
Capital projects	21,751,025
Debt service	21,886,714
Categorical programs	41,077,857
Unrestricted	<u>(291,442,489)</u>
Total net position	<u>\$ 180,902,074</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instructional Services:					
Instruction	\$ 317,232,761	\$ 684,469	\$ 60,444,690	\$ 2,024,950	\$ (254,078,652)
Instruction-Related Services:					
Supervision of instruction	23,892,581	204,738	8,731,215	-	(14,956,628)
Instructional library, media and technology	4,305,619	13,125	132,834	-	(4,159,660)
School site administration	33,315,833	37,433	4,580,925	-	(28,697,475)
Pupil Support Services:					
Home-to-school transportation	10,867,043	-	13,293	-	(10,853,750)
Food services	21,984,855	2,594,490	20,140,294	-	749,929
All other pupil services	24,418,358	24,032	6,014,349	-	(18,379,977)
General Administration Services:					
Data processing services	8,161,524	-	-	-	(8,161,524)
Other general administration	17,140,404	279,454	3,863,379	-	(12,997,571)
Plant Services	54,278,208	2,086,833	5,988,366	-	(46,203,009)
Ancillary Services	5,632,636	-	129,217	-	(5,503,419)
Community Services	60,324	-	1,192	-	(59,132)
Enterprise Activities	64,263	-	-	-	(64,263)
Interest on Long-Term Debt	7,222,313	-	-	-	(7,222,313)
Other Outgo	20,076,188	2,787,440	1,098,244	-	(16,190,504)
Total Governmental Activities	\$ 548,652,910	\$ 8,712,014	\$ 111,137,998	\$ 2,024,950	(426,777,948)

General Revenues:

Property taxes	96,870,789
Federal and state aid not restricted to specific purpose	293,735,289
Interest and investment earnings	974,417
Miscellaneous	4,887,004
Total general revenues	396,467,499
Change in net position	(30,310,449)
Net position - July 1, 2016, as originally stated	258,745,187
Adjustment for restatement (Note 13)	(47,532,664)
Net position - July 1, 2016, as restated	211,212,523
Net position - June 30, 2017	\$ 180,902,074

RIVERSIDE UNIFIED SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 110,961,357	\$ 5,513,600	\$ 105,831,965	\$ 12,648,052	\$ 38,280,499	\$ 273,235,473
Investments	-	-	-	-	1,418,504	1,418,504
Accounts receivable	8,860,883	3,661,841	120,132	429,795	690,027	13,762,678
Due from other funds	4,652,728	184,203	592,862	292	393,599	5,823,684
Inventories	97,485	255,390	-	-	-	352,875
Prepaid expenditures	89,273	-	-	-	-	89,273
Total Assets	\$ 124,661,726	\$ 9,615,034	\$ 106,544,959	\$ 13,078,139	\$ 40,782,629	\$ 294,682,487
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 20,567,898	\$ 575,601	\$ 1,576,764	\$ 4,293,398	\$ 1,015,268	\$ 28,028,929
Due to other funds	1,060,591	3,385,364	169,494	11	1,687,614	6,303,074
Unearned revenue	4,509,453	-	-	-	-	4,509,453
Total Liabilities	26,137,942	3,960,965	1,746,258	4,293,409	2,702,882	38,841,456
Fund Balances						
Nonspendable	336,758	267,966	-	-	-	604,724
Restricted	34,170,764	5,386,103	104,798,701	8,784,730	31,400,981	184,541,279
Committed	39,144,369	-	-	-	4,903,333	44,047,702
Assigned	15,272,868	-	-	-	1,775,433	17,048,301
Unassigned	9,599,025	-	-	-	-	9,599,025
Total Fund Balances	98,523,784	5,654,069	104,798,701	8,784,730	38,079,747	255,841,031
Total Liabilities and Fund Balances	\$ 124,661,726	\$ 9,615,034	\$ 106,544,959	\$ 13,078,139	\$ 40,782,629	\$ 294,682,487

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017

Total fund balances - governmental funds \$ 255,841,031

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	\$ 783,118,092	
Accumulated depreciation	(236,823,156)	
Net internal service fund capital assets	<u>(10,004)</u>	546,284,932

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: (49,616,775)

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: (2,998,011)

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: 5,876,764

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	121,770,086	
Deferred inflows of resources	<u>(20,904,136)</u>	100,865,950

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. (426,517,745)

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	245,067,569	
Certificates of participation payable	18,595,382	
Compensated absences payable	<u>5,821,335</u>	(269,484,286)

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: 20,650,214

Total net position - governmental activities \$ 180,902,074

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2017

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 360,189,116	\$ -	\$ -	\$ -	\$ -	\$ 360,189,116
Federal sources	27,335,598	19,952,070	-	-	338,145	47,625,813
Other state sources	64,301,069	1,237,664	-	1,581	9,450,787	74,991,101
Other local sources	10,223,535	2,887,938	195,366	4,976,375	12,099,281	30,382,495
Total Revenues	462,049,318	24,077,672	195,366	4,977,956	21,888,213	513,188,525
EXPENDITURES						
Current:						
Instruction	304,465,680	-	-	-	4,306,003	308,771,683
Instruction-related services:						
Supervision of instruction	23,155,630	-	-	-	463,850	23,619,480
Instructional library, media and technology	3,744,257	-	-	-	-	3,744,257
School site administration	31,532,993	-	-	-	688,641	32,221,634
Pupil support services:						
Home-to-school transportation	10,453,611	-	-	-	-	10,453,611
Food services	13,567	22,089,024	-	-	5,606	22,108,197
All other pupil services	23,661,468	-	-	-	57,446	23,718,914
Ancillary services	5,798,196	-	-	-	-	5,798,196
Community services	61,773	-	-	-	-	61,773
General administration services:						
Data processing services	8,231,617	-	-	-	-	8,231,617
Other general administration	15,557,679	-	-	540,513	-	16,098,192
Plant services	43,865,883	326,619	-	32,676	241,357	44,466,535
Transfers of indirect costs	(1,221,419)	979,387	-	-	242,032	-
Capital Outlay	7,489,962	1,897,726	14,084,319	2,593,762	8,478,396	34,544,165
Intergovernmental	75,587	-	-	-	-	75,587
Debt Service:						
Principal	-	-	-	-	6,272,644	6,272,644
Interest	-	-	-	-	5,844,973	5,844,973
Issuance costs	-	-	850,000	-	-	850,000
Total Expenditures	476,886,484	25,292,756	14,934,319	3,166,951	26,600,948	546,881,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,837,166)	(1,215,084)	(14,738,953)	1,811,005	(4,712,735)	(33,692,933)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	1,005	373,086	2,917,779	18,717	3,494,016	6,804,603
Interfund transfers out	(3,064,727)	-	(537,624)	-	(3,202,252)	(6,804,603)
Proceeds from general obligation bonds	-	-	100,000,000	-	-	100,000,000
Premium on bond issuance	-	-	-	-	9,374,455	9,374,455
Total Other Financing Sources and Uses	(3,063,722)	373,086	102,380,155	18,717	9,666,219	109,374,455
Net Change in Fund Balances	(17,900,888)	(841,998)	87,641,202	1,829,722	4,953,484	75,681,522
Fund Balances, July 1, 2016	116,424,672	6,496,067	17,157,499	6,955,008	33,126,263	180,159,509
Fund Balances, June 30, 2017	\$ 98,523,784	\$ 5,654,069	\$ 104,798,701	\$ 8,784,730	\$ 38,079,747	\$ 255,841,031

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, 2017

Total net change in fund balances - governmental funds \$ 75,681,522

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	30,384,014	
Depreciation expense	<u>(17,802,440)</u>	
Net:		12,581,574

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: 6,272,644

The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was: (109,374,455)

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 increase in the net OPEB liability at the end of the period was: 15,557,378

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: 760,442

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: (9,890,225)

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: (903,637)

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: (578,459)

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: (20,033,081)

Change in net position of governmental activities \$ (30,310,449)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2017

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 28,804,273
Accounts receivable	99,080
Due from other funds	516,721
Equipment, net of depreciation	<u>10,004</u>
Total assets	<u>29,430,078</u>
LIABILITIES	
Accounts payable	68,520
Due to other funds	31,398
Claims liabilities, current portion	2,169,987
Claims liabilities, long-term portion	<u>6,509,959</u>
Total liabilities	<u>8,779,864</u>
NET POSITION	
Net investment in capital assets	10,004
Restricted	<u>20,640,210</u>
Total net position	<u>\$ 20,650,214</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2017*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
State revenue	\$ 4,081
Charges to other funds	23,126,850
Other local revenues	<u>1,440,020</u>
Total operating revenues	<u>24,570,951</u>
OPERATING EXPENSES	
Certificated salaries	59,050
Classified salaries	497,455
Employee benefits	201,881
Books and supplies	43,902
Services and other operating expenditures	<u>24,105,802</u>
Total operating expenses	<u>24,908,090</u>
Operating Income (Loss)	<u>(337,139)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interfund transfers out	(20,000,000)
Interest income	<u>304,058</u>
Total non-operating revenues (expenses)	<u>(19,695,942)</u>
Change in net position	(20,033,081)
Net position, July 1, 2016	<u>40,683,295</u>
Net position, June, 30, 2017	<u>\$ 20,650,214</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 24,179,939
Cash payments for payroll, insurance and operating expenses	<u>(25,614,120)</u>
Net cash provided (used) by operating activities	<u>(1,434,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfer to retiree benefit trust fund	(20,000,000)
Interest on investments	<u>306,599</u>
Net cash provided (used) by investing activities	<u>(19,693,401)</u>
Net increase in cash	(21,127,582)
Cash, July 1, 2016	<u>49,931,855</u>
Cash, June 30, 2017	<u>\$ 28,804,273</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (337,139)
(Increase) Decrease in operating assets	
Due from other funds	(504,092)
Accounts receivable	113,080
Increase (Decrease) in operating liabilities	
Accounts payable	(40,608)
Claims liabilities	503,454
Due to other funds	<u>(1,168,876)</u>
Net cash provided (used) by operating activities	<u>\$ (1,434,181)</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2017

	Agency Funds		Trust Funds		Total
	Student Body Funds	Debt Service Fund for Special Tax Bonds	Scholarship Fund	Retiree Benefit Fund	
ASSETS					
Cash	\$ 1,498,571	\$ -	\$ 288,005	\$ -	\$ 1,786,576
Investments	-	10,421,254	-	20,707,805	31,129,059
Accounts receivable	10,904	-	855	-	11,759
Inventories	155,632	-	-	-	155,632
Total Assets	<u>\$ 1,665,107</u>	<u>\$ 10,421,254</u>	<u>288,860</u>	<u>20,707,805</u>	<u>33,083,026</u>
LIABILITIES					
Accounts payable	\$ 66,252	\$ -	-	-	66,252
Due to other funds	-	-	5,933	-	5,933
Due to bondholders	-	10,421,254	-	-	10,421,254
Due to student groups	1,598,855	-	-	-	1,598,855
Total Liabilities	<u>\$ 1,665,107</u>	<u>\$ 10,421,254</u>	<u>5,933</u>	<u>-</u>	<u>12,092,294</u>
NET POSITION					
Restricted for student scholarships			282,927	-	282,927
Restricted for retiree benefits			-	20,707,805	20,707,805
Total Net Position			<u>\$ 282,927</u>	<u>\$ 20,707,805</u>	<u>\$ 20,990,732</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017

	Trust Funds	
	Scholarship Fund	Retiree Benefit Fund
ADDITIONS		
Interest	\$ 2,282	\$ -
Net increase in fair value of investments	-	773,214
Trust contributions	-	20,000,000
Other local sources	47,525	-
Total Additions	49,807	20,773,214
DEDUCTIONS		
Books and supplies	1,825	-
Other services & operating expenses	36,626	65,409
Total Deductions	38,451	65,409
Net increase (decrease) in net position	11,356	20,707,805
Net Position - July 1, 2016	271,571	-
Net Position - June 30, 2017	<u>\$ 282,927</u>	<u>\$ 20,707,805</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 14, *The Financial Reporting Entity*, 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 governing board of the component units is essentially the same as the governing board 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. 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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)

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.

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

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

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:

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.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 Oxnard 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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)

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.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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.

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 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)*

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

2. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)*

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. Statement No. 74 (continued)

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

3. Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)*

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)*

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)*

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

6. Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported at fair value and consisted of the following:

	Rating	Governmental Activities			Fiduciary Funds
		Governmental Funds	Proprietary Fund	Total	
Pooled Funds:					
Cash in county treasury		\$ 272,407,173	\$ 27,739,222	\$ 300,146,395	\$ 288,005
Deposits:					
Cash on hand and in banks		180,185	-	180,185	1,498,571
Cash in revolving fund		162,576	-	162,576	-
Cash collections awaiting deposit		485,539	51	485,590	-
Cash with fiscal agent		-	1,065,000	1,065,000	-
Total Deposits		828,300	1,065,051	1,893,351	1,498,571
Total Cash		\$ 273,235,473	\$ 28,804,273	\$ 302,039,746	\$ 1,786,576
Investments:					
US Bank - Money Market	N/A	\$ 701,945	\$ -	\$ 701,945	\$ 9,642,244
US Bank - US Government Bonds	AA+	716,559	-	716,559	779,010
Mutual Fund - Fixed Income		-	-	-	13,805,173
Mutual Fund - Domestic Equity		-	-	-	3,451,927
Mutual Fund - International Equity		-	-	-	2,411,184
Mutual Fund - Real Estate		-	-	-	1,039,521
Total Investments		\$ 1,418,504	\$ -	\$ 1,418,504	\$ 31,129,059

Investment security ratings reported as of June 30, 2017, 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, 2017, 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).

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, \$2,359,834 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, 2017 consist of the following:

	Fair Value	Maturity	
		Less Than One Year	One Year Through Five Years
Investment maturities:			
US Bank - Money Market	\$ 10,344,189	10,344,189	\$ -
US Bank - US Government Bonds	1,495,569	1,495,569	-
Mutual Fund - Fixed Income	13,805,173	13,805,173	-
Mutual Fund - Domestic Equity	3,451,927	3,451,927	-
Mutual Fund - International Equity	2,411,184	2,411,184	-
Mutual Fund - Real Estate	1,039,521	1,039,521	-
Totals	<u>\$ 32,547,563</u>	<u>\$ 32,547,563</u>	<u>\$ -</u>

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, 2017, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had the following investments that represent more than five percent of the District's net investments.

US Bank - Money Market	31.8%
Mutual Fund - Fixed Income	42.4%
Mutual Fund - Domestic Equity	10.6%
Mutual Fund - International Equity	7.4%

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	Governmental Funds					Total	Proprietary Fund	Fiduciary Funds	
	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds		Self-Insurance Fund	Associated Student Body Funds	Scholarship Fund
Federal Government:									
Categorical aid programs	\$ 4,110,303	\$ 3,327,377	\$ -	\$ -	\$ 113,511	\$ 7,551,191	\$ -	\$ -	\$ -
State Government:									
Lottery	1,737,510	-	-	-	-	1,737,510	-	-	-
Special education	325,679	-	-	-	-	325,679	-	-	-
Categorical aid programs	1,242,064	207,924	-	-	391,248	1,841,236	-	-	-
Local:									
Interest	287,398	8,180	120,132	30,137	48,648	494,495	77,870	-	755
Food service sales	-	64,795	-	-	-	64,795	-	-	-
Other local	1,157,929	53,565	-	399,658	136,620	1,747,772	21,210	10,904	100
Total	\$ 8,860,883	\$ 3,661,841	\$ 120,132	\$ 429,795	\$ 690,027	\$ 13,762,678	\$ 99,080	\$ 10,904	\$ 855

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2017, consisted of the following:

	Due from other funds						
	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
General Fund	\$ -	\$ 184,203	\$ -	\$ 167	\$ 359,511	\$ 543,881	\$ 516,710
Cafeteria Fund	3,385,364	-	-	-	-	3,385,364	-
Building Fund	169,369	-	-	125	-	169,494	-
Capital Facilities Fund	-	-	-	-	-	-	11
Non-Major Governmental Funds	1,060,664	-	592,862	-	34,088	1,687,614	-
Self-Insurance Fund	31,398	-	-	-	-	31,398	-
Fiduciary Funds	5,933	-	-	-	-	5,933	-
Total	\$ 4,652,728	\$ 184,203	\$ 592,862	\$ 292	\$ 393,599	\$ 5,823,684	\$ 516,721

The most significant interfund payables are as follows: \$800,000 due to the General Fund from the Child Development Fund for a temporary loan and \$2,400,000 from the Cafeteria Fund for a temporary loan. A balance of \$984,172 is due to the General Fund from the Cafeteria Fund for indirect costs and other operating expenditures and \$117,218 is due to the General Fund from the Adult Education Fund for Capital Outlay Projects for indirect costs. \$580,412 due to the Building Fund from the County School Facilities Fund for expenditure reimbursements.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 4 – INTERFUND ACTIVITIES (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended at June 30, 2017, consisted of the following:

General Fund transfer to Adult Education for categorical funds	\$ 1,324
General Fund transfer to Child Development Fund for program contribution	151,979
General Fund transfer to Cafeteria Fund for project costs	209,031
General Fund transfer to Capital Facilities Fund for expenditure reimbursement	18,717
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for capital outlay	52,297
General Fund transfer to Debt Service Fund for long-term debt payments	2,631,379
Building Fund transfer to Special Reserve Fund for Capital Outlay Projects for capital outlay	537,624
County School Facilities Fund transfer to General Fund for expenditure reimbursement	1,005
Special Reserve Fund for Capital Outlay Projects transfer to Cafeteria Fund for project costs	164,055
Capital Projects Fund for Blended Component Units transfer to Building Fund for projects costs	2,917,779
Capital Projects Fund for Blended Component Units transfer to Special Reserve Fund for Capital Outlay Projects for projects costs	<u>119,413</u>
	<u>\$ 6,804,603</u>

NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District’s governmental funds are classified as follows:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 150,000	\$ 12,576	\$ -	\$ -	\$ -	\$ 162,576
Stores inventories	97,485	255,390	-	-	-	352,875
Prepaid expenditures	89,273	-	-	-	-	89,273
Total Nonspendable	<u>336,758</u>	<u>267,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,724</u>
Restricted:						
Categorical programs	34,170,764	-	-	-	1,253,024	35,423,788
Food service program	-	5,386,103	-	-	-	5,386,103
Capital projects	-	-	104,798,701	8,784,730	8,261,243	121,844,674
Debt service	-	-	-	-	21,886,714	21,886,714
Total Restricted	<u>34,170,764</u>	<u>5,386,103</u>	<u>104,798,701</u>	<u>8,784,730</u>	<u>31,400,981</u>	<u>184,541,279</u>
Committed:						
Other commitments	39,144,369	-	-	-	4,903,333	44,047,702
Total Committed	<u>39,144,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,903,333</u>	<u>44,047,702</u>
Assigned:						
Other assignments	15,272,868	-	-	-	1,775,433	17,048,301
Total Assigned	<u>15,272,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,775,433</u>	<u>17,048,301</u>
Unassigned:						
Reserve for economic uncertainties	9,599,025	-	-	-	-	9,599,025
Total Unassigned	<u>9,599,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,599,025</u>
Total	<u>\$ 98,523,784</u>	<u>\$ 5,654,069</u>	<u>\$ 104,798,701</u>	<u>\$ 8,784,730</u>	<u>\$ 38,079,747</u>	<u>\$ 255,841,031</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	\$ 46,041,909	\$ -	\$ -	\$ 46,041,909
Construction in progress	10,306,053	14,774,400	4,799,369	20,281,084
Total capital assets not being depreciated	<u>56,347,962</u>	<u>14,774,400</u>	<u>4,799,369</u>	<u>66,322,993</u>
Capital assets being depreciated:				
Buildings and improvements	679,993,585	19,627,452	-	699,621,037
Furniture and equipment	16,392,531	781,531	-	17,174,062
Total capital assets being depreciated	<u>696,386,116</u>	<u>20,408,983</u>	<u>-</u>	<u>716,795,099</u>
Accumulated depreciation for:				
Buildings and improvements	(204,476,335)	(17,037,752)	-	(221,514,087)
Furniture and equipment	(14,544,381)	(764,688)	-	(15,309,069)
Total accumulated depreciation	<u>(219,020,716)</u>	<u>(17,802,440)</u>	<u>-</u>	<u>(236,823,156)</u>
Total capital assets being depreciated, net	<u>477,365,400</u>	<u>2,606,543</u>	<u>-</u>	<u>479,971,943</u>
Governmental activity capital assets, net	<u>\$ 533,713,362</u>	<u>\$ 17,380,943</u>	<u>\$ 4,799,369</u>	<u>\$ 546,294,936</u>

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

Governmental Activities:	
Instruction	\$ 12,101,836
Supervision of instruction	558,954
Instructional library, media and technology	199,210
School site administration	1,407,624
Home-to-school transportation	414,215
Food services	2,417
All other pupil services	658,291
Data processing services	198,082
All other general administration	556,895
Plant services	<u>1,704,916</u>
 Total depreciation expense	 <u>\$ 17,802,440</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016*	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 134,150,000	\$ 100,000,000	\$ 4,930,000	\$ 229,220,000	\$ 4,490,000
Unamortized Issuance Premium	7,233,556	9,374,455	760,442	15,847,569	947,928
Total G.O. Bonds	<u>141,383,556</u>	<u>109,374,455</u>	<u>5,690,442</u>	<u>245,067,569</u>	<u>5,437,928</u>
Certificates of Participation	19,938,026	-	1,342,644	18,595,382	1,170,036
Compensated Absences	5,242,876	578,459	-	5,821,335	-
Claims Liabilities	6,132,368	377,591	-	6,509,959	-
Other Postemployment Benefits	65,174,153	-	15,557,378	49,616,775	-
Total	<u>\$ 237,870,979</u>	<u>\$ 110,330,505</u>	<u>\$ 22,590,464</u>	<u>\$ 325,611,020</u>	<u>\$ 6,607,964</u>

* Beginning balance has been restated to report the OPEB liability in accordance with GASB Statement No. 74.

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

2011 General Obligation Refunding Bonds

On October 5, 2011, the District issued \$46,125,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.1 percent with annual maturities from February 1, 2012 through February 1, 2027. The net proceeds of \$50,087,691 (after premiums of \$4,462,725 and issuance costs of \$500,034) were used to prepay the District's outstanding Election of 2001, Series A General Obligation Bonds. Deferred amounts on refunding as of June 30, 2017, of \$1,039,183 remain to be amortized.

2015 General Obligation Refunding Bonds

On June 17, 2015, the District issued \$48,810,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2030. The net proceeds of \$52,498,253 (after premiums of \$4,459,461 and issuance costs and underwriter's discount of \$771,208) were used to prepay the District's outstanding Election of 2001, Series B General Obligation Bonds. Deferred amounts on refunding as of June 30, 2017, of \$1,439,583 remain to be amortized.

The refunding decreased the District's total debt service payments by \$6,206,266. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$4,813,030.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2016 General Obligation Refunding Bonds

On May 25, 2016, the District issued \$53,365,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 0.7% and 4.32% with annual maturities from August 1, 2016, through August 1, 2038. The net proceeds of \$52,814,498 (after issuance costs of \$550,502) were used to advance refund a portion of the District’s outstanding Election of 2001, Series C General Obligation Bonds. Deferred amounts on refunding as of June 30, 2017, of \$3,306,939 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$50,591,163.

The refunding decreased the District's total debt service payments by \$3,314,458. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$2,168,422.

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, 2016	Additions	Deductions	Balance, June 30, 2017
2011 Refunding	10/5/2011	2/1/2027	2.0%-5.0%	\$ 46,125,000	\$ 33,855,000	\$ -	\$ 1,435,000	32,420,000
2015 Refunding	6/17/2015	8/1/2030	2.0%-5.0%	48,810,000	46,930,000	-	2,480,000	44,450,000
2016 Refunding	5/25/2016	8/1/2038	0.7%-4.32%	53,365,000	53,365,000	-	1,015,000	52,350,000
2016 (A)	5/25/2017	8/1/2041	3.0%-5.0%	100,000,000	-	100,000,000	-	100,000,000
				<u>\$ 248,300,000</u>	<u>\$ 134,150,000</u>	<u>\$ 100,000,000</u>	<u>\$ 4,930,000</u>	<u>\$ 229,220,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 4,490,000	\$ 8,507,747	\$ 12,997,747
2018-2019	18,260,000	9,475,319	27,735,319
2019-2020	19,030,000	8,714,468	27,744,468
2020-2021	8,160,000	8,071,531	16,231,531
2021-2022	9,635,000	7,702,496	17,337,496
2022-2027	46,405,000	31,719,177	78,124,177
2027-2032	39,950,000	21,811,398	61,761,398
2032-2037	44,375,000	13,346,449	57,721,449
2037-2042	38,915,000	3,354,363	42,269,363
Total	<u>\$ 229,220,000</u>	<u>\$ 112,702,948</u>	<u>\$ 341,922,948</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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, 2017, the principal balance outstanding was \$5,925,000.

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, 2017, the principal outstanding balance was \$9,585,000.

2016 COP Refunding

On March 4, 2016, the Riverside Unified School District Facilities Corporation issued certificates of participation in the amount of \$3,673,026. The bonds bear fixed interest rates ranging between 4.75% and 5.0% with annual maturities from December 1, 2016, through December 1, 2026. The net proceeds of \$3,548,024 (after issuance costs of \$125,002) along with other funds were used to advance refund a portion of the outstanding 2001 certificates of participation. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2017, of \$91,059 remain to be amortized. At June 30, 2017, the principal balance outstanding was \$3,085,382.

The refunding decreased the District's total debt service payments by \$1,039,354. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new debt) of \$285,329.

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 1,170,036	\$ 710,659	\$ 1,880,695
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
2022-2027	6,698,517	1,896,306	8,594,823
2027-2032	3,440,000	760,390	4,200,390
2032-2035	2,600,000	190,125	2,790,125
Total	<u>\$ 18,595,382</u>	<u>\$ 5,974,191</u>	<u>\$ 24,569,573</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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 \$6,509,959. 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 \$101,890,000 as of June 30, 2017, 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.

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, 2017, is as follows:

	ASCIP
Assets	\$ 407,081,077
Deferred Outflows	1,224,143
Liabilities	222,632,775
Deferred Inflows	857,574
Net Position	<u>\$ 184,814,871</u>
Revenues	\$ 274,047,686
Expenses	246,800,516
Change in Net Position	<u>\$ 27,247,170</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

The following represent the changes in approximate aggregate liabilities for the District's workers' compensation and health insurance program from July 1, 2015 to June 30, 2017:

	Health Insurance	Workers' Compensation
Liability Balance, July 1, 2015	\$ 2,312,108	\$ 7,285,363
Claims and changes in estimates	13,212,434	448,092
Claims payments	<u>(13,857,542)</u>	<u>(1,223,962)</u>
Liability Balance, June 30, 2016	1,667,000	6,509,493
Claims and changes in estimates	16,567,363	1,294,451
Claims payments	<u>16,661,363</u>	<u>(884,997)</u>
Liability Balance, June 30, 2017	<u>\$ 1,761,000</u>	<u>\$ 6,918,947</u>
Assets available to pay claims at June 30, 2017	<u>\$ 3,285,351</u>	<u>\$ 18,106,496</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, the District had commitments with respect to unfinished capital projects of \$13.1 million. A detailed listing of outstanding construction commitments at June 30, 2017, is as follows:

Project Description	Remaining Construction Commitments	Expected Date of Completion
Maxine Frost Elementary School*	\$ -	TBD
Ramona HS Theater/ Career Technology Education	6,436,511	11/1/2017
Riverside Polytechnic High School Chillers	5,117,585	2/1/2018
Henry W. Longfellow Elementary School - Lighting & HVAC	599,437	7/1/2018
University Heights Middle School - Lighting & HVAC	228,927	7/1/2018
Arlington High School - Lighting & HVAC Phase II PY6	320,438	7/1/2018
John W. North High School - Lighting & HVAC	284,667	7/1/2018
George Washington Elementary School Playground Apparatus	148,039	10/1/2017
	<u>\$ 13,135,604</u>	

*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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Plan Descriptions (continued)

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5% at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2% per year.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Contributions

Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Employer contributions	\$ 27,676,114	\$ 9,752,400
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 15,859,932	\$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 325,950,430
CalPERS	\$ 100,567,315
Total Net Pension Liability	<u>\$ 426,517,745</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 - PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2015	0.3980%	0.4901%
Proportion - June 30, 2016	<u>0.4030%</u>	<u>0.5092%</u>
Change - Increase (Decrease)	<u>0.0050%</u>	<u>0.0191%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$49,435,486. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 37,428,514	\$ -
Differences between actual and expected experience	4,325,358	(7,951,190)
Changes in assumptions	-	(3,021,449)
Adjustment due to differences in proportions	28,567,003	-
Net differences between projected and actual earnings on plan investments	<u>51,449,211</u>	<u>(9,931,497)</u>
	<u>\$ 121,770,086</u>	<u>\$ (20,904,136)</u>

The total amount of \$37,428,514 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 11,835,539
2019	11,373,634
2020	15,424,695
2021	6,690,152
2022	(607,763)
Thereafter	-

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated 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 rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	<u>100%</u>	<u>100%</u>		

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 469,116,180	\$ 150,046,994
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 325,950,430	\$ 100,567,315
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 207,045,280	\$ 59,365,745

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

Plan Administration

The Benefits Trust Company (BTC) administers the Riverside Unified District Retiree Benefits Plan (“the Plan”) – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time certificated and classified employees of the District.

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 administering 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Plan Description (continued)

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	283
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>3,656</u>
Total	<u><u>3,939</u></u>

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.

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

Management, Confidential, and Cabinet Retirees: 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.

Classified Retirees: Attainment of age 50 and completion of 10 years of District service.

Contributions

The Trust provides a uniform method of investing contributions and earnings of all contributed amounts between funds deposited within the Benefit Fund or the General Fund, as those terms are defined within the Trust. The Trust is funded primarily by contributions made by the employer, but also may include other contributions made by any participant as determined necessary and appropriate under applicable circumstances. These contributions shall be remitted to the Trust on a discretionary basis. Plan members are not required to contribute to the plan.

B. Investments

Investment Policy

The Retirement Board of Authority is directly responsible for the implementation and oversight of this Investment Policy Statement. This responsibility includes the selection and ongoing evaluation of investments and/or investment managers in accordance with applicable laws and regulations. However, these investment responsibilities may be delegated to an authorized third-party trustee. In this case, the Retirement Board of Authority has appointed Benefit Trust Company (“BTC”) as Discretionary Trustee and Trust Fund custodian, who may further designate and delegate any corresponding Investment Manager responsibilities as set forth below.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Investments (continued)

Concentrations

The Plan held investments other than those issued or explicitly guaranteed by the U.S. government that represent 5% or more of the OPEB plan's fiduciary net position as follows:

Mutual Fund - Domestic Equity	66.7%
Mutual Fund - Fixed Income	16.7%
Mutual Fund - International Equity	11.6%
Mutual Fund - Real Estate	5.0%

Rate of Return

For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 7.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2017 were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2016	\$ 65,174,153	\$ -	\$ 65,174,153
Changes for the year:			
Service cost	5,774,257	-	5,774,257
Interest	2,641,511	-	2,641,511
Employer contributions	-	20,000,000	(20,000,000)
Actual investment income	-	773,214	(773,214)
Administrative expense	-	(65,409)	65,409
Benefit payments	(3,265,341)	-	(3,265,341)
Net changes	5,150,427	20,707,805	(15,557,378)
Balance at June 30, 2017	\$ 70,324,580	\$ 20,707,805	\$ 49,616,775

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.5%
Investment rate of return	6.9%
Healthcare cost trend rates	7.5%

Mortality rates were based on the Society of Actuaries RP-2014 Mortality Table, fully generational, projected using two-dimensional improvement scale MP-2016.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Net OPEB Liability of the District (continued)

Termination

The probability of terminating employment (for reasons other than death or retirement) within one year after attaining the age shown below:

<u>Age</u>	<u>Probability of Termination</u>
25	9.20%
30	8.60%
35	7.60%
40	6.20%
45	4.80%
50	3.10%
55	1.10%
60 and older	0.00%

Retirement

The probability of terminating employment due to retirement within one year after attaining the age shown below:

<u>Age</u>	<u>Probability of Termination</u>	<u>Age</u>	<u>Probability of Termination</u>
50	2%	58	12%
51	2%	59	15%
52	2%	60	18%
53	2%	61	20%
54	2%	62	22%
55	6%	63	25%
56	7%	64	30%
57	8%	65 and older	100%

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 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease (6.5%)</u>	<u>Healthcare Cost Trend Rates (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB liability (asset)	\$ 42,915,967	\$ 49,616,775	\$ 57,422,174

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Net OPEB Liability of the District (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual Fund - Domestic Equity	66.7%	7.5%
Mutual Fund - Fixed Income	16.7%	4.5%
Mutual Fund - International Equity	11.6%	7.5%
Mutual Fund - Real Estate	5.0%	7.5%

Sensitivity of the Net 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 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current discount rate:

	<u>1% Decrease (5.9%)</u>	<u>Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
Net OPEB liability (asset)	\$ 55,178,240	\$ 49,616,775	\$ 44,512,646

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

For the fiscal year ended June 30, 2017, the District recognized OPEB expense of \$3,265,341. The District has no deferred outflows of resources or deferred inflows of resources related to OPEB as of June 30, 2017.

Payable to the OPEB Plan

At June 30, 2017, the District reported no payables for outstanding contributions to the Plan required for the year ended June 30, 2017.

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The beginning net position on the Statement of Activities has been restated by \$47,532,664 as required by GASB Statement No. 74, which is described in further detail in Note 1.I. and Note 12.

Required Supplementary Information

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RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 360,008,471	\$ 360,189,115	\$ 360,189,116	\$ 1
Federal Sources	24,497,274	32,534,804	27,335,598	(5,199,206)
Other State Sources	62,544,228	68,832,220	64,301,069	(4,531,151)
Other Local Sources	5,959,351	11,689,643	10,223,535	(1,466,108)
Total Revenues	453,009,324	473,245,782	462,049,318	(11,196,464)
Expenditures				
Current:				
Certificated Salaries	213,295,431	219,646,233	220,162,158	(515,925)
Classified Salaries	64,009,279	66,665,517	69,316,927	(2,651,410)
Employee Benefits	97,584,915	103,993,146	103,379,331	613,815
Books and Supplies	33,984,421	46,732,123	26,217,376	20,514,747
Services and Other Operating Expenditures	58,666,238	62,608,527	48,564,967	14,043,560
Capital Outlay	10,006,888	18,641,452	9,170,138	9,471,314
Intergovernmental	152,000	55,042	75,587	(20,545)
Total Expenditures	477,699,172	518,342,040	476,886,484	41,455,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,689,848)	(45,096,258)	(14,837,166)	30,259,092
Other Financing Sources and Uses				
Interfund Transfers In	-	-	1,005	1,005
Interfund Transfers Out	(2,631,379)	(2,784,682)	(3,064,727)	(280,045)
Total Other Financing Sources and Uses	(2,631,379)	(2,784,682)	(3,063,722)	(279,040)
Net Change in Fund Balance	(27,321,227)	(47,880,940)	(17,900,888)	29,980,052
Fund Balances, July 1, 2016	116,424,672	116,424,672	116,424,672	-
Fund Balances, June 30, 2017	\$ 89,103,445	\$ 68,543,732	\$ 98,523,784	\$ 29,980,052

RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal Sources	\$ 19,399,755	\$ 18,390,103	\$ 19,952,070	\$ 1,561,967
Other State Sources	1,380,000	1,237,664	1,237,664	-
Other Local Sources	3,073,846	2,887,980	2,887,938	(42)
Total Revenues	23,853,601	22,515,747	24,077,672	1,561,925
Expenditures				
Current:				
Classified Salaries	8,804,030	8,755,413	8,877,695	(122,282)
Employee Benefits	3,274,069	3,364,669	3,182,278	182,391
Books and Supplies	10,011,655	10,378,650	10,335,390	43,260
Services and Other Operating Expenditures	527,512	376,133	20,280	355,853
Transfers of Indirect Costs	1,066,334	1,066,709	979,387	87,322
Capital Outlay	4,427,298	1,524,640	1,897,726	(373,086)
Total Expenditures	28,110,898	25,466,214	25,292,756	173,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,257,297)	(2,950,467)	(1,215,084)	1,735,383
Other Financing Sources and Uses				
Interfund Transfers In	-	373,086	373,086	-
Total Other Financing Sources and Uses	-	373,086	373,086	-
Net Change in Fund Balance	(4,257,297)	(2,577,381)	(841,998)	1,735,383
Fund Balances, July 1, 2016	6,723,833	6,496,067	6,496,067	-
Fund Balances, June 30, 2017	\$ 2,466,536	\$ 3,918,686	\$ 5,654,069	\$ 1,735,383

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
CalSTRS			
District's proportion of the net pension liability	0.4030%	0.3980%	0.3670%
District's proportionate share of the net pension liability	\$ 325,950,430	\$ 267,949,520	\$ 214,463,790
State's proportionate share of the net pension liability associated with the District	185,585,085	141,715,378	129,503,796
Totals	<u>\$ 511,535,515</u>	<u>\$ 409,664,898</u>	<u>\$ 343,967,586</u>
District's covered-employee payroll	<u>\$ 203,826,337</u>	<u>\$ 184,818,401</u>	<u>\$ 166,812,727</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.92%	144.98%	128.57%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.5092%	0.4901%	0.4797%
District's proportionate share of the net pension liability	\$ 100,567,315	\$ 72,241,224	\$ 54,457,630
District's covered-employee payroll	\$ 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	164.53%	132.94%	87.90%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

* 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 Pension Contributions
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 27,676,114	\$ 21,870,566	\$ 16,411,874
Contributions in relation to the contractually required contribution	<u>27,676,114</u>	<u>21,870,566</u>	<u>16,411,874</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 220,000,906</u>	<u>\$ 203,826,337</u>	<u>\$ 184,818,401</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 9,752,400	\$ 7,241,357	\$ 6,396,320
Contributions in relation to the contractually required contribution	<u>9,752,400</u>	<u>7,241,357</u>	<u>6,396,320</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 70,221,774</u>	<u>\$ 61,123,972</u>	<u>\$ 54,339,648</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* 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, 2017*

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 5,774,257
Interest	2,641,511
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(3,265,341)</u>
Net change in total OPEB liability	5,150,427
Total OPEB liability - beginning	<u>65,174,153</u>
Total OPEB liability - ending	<u><u>\$ 70,324,580</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 20,000,000
Net investment income	773,214
Benefit payments	-
Administrative expense	<u>(65,409)</u>
Net change in plan fiduciary net position	20,707,805
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending	<u><u>\$ 20,707,805</u></u>
District's net OPEB liability	<u><u>\$ 49,616,775</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>29.45%</u>
Covered-employee payroll	<u>\$ 297,000,000</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>16.71%</u>

Notes to Schedule:

There were no benefits changes or changes of assumptions during the year.

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 OPEB Contributions
For the Fiscal Year Ended June 30, 2017

	<u>2017</u>
Statutorily or contractually required contribution	\$ -
Contributions in relation to the actuarially determined contribution	<u>20,000,000</u>
Contribution excess (deficiency)	<u>\$ 20,000,000</u>
Covered-employee payroll	<u>\$ 297,000,000</u>
Contributions as a percentage of covered-employee payroll	<u>6.73%</u>

Notes to Schedule:

Valuation date: June 30, 2017

Other information:

The actuary did not calculate an actuarially determined contribution amount. The District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

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 Investment Returns
For the Fiscal Year Ended June 30, 2017

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.08%

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

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2017

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 Net OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 74, and is a 10-year schedule of changes in the net OPEB liability, presenting for each year (1) the beginning and ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the net OPEB liability, calculated in conformity with paragraphs 39-54, and (2) the effects on those items during the year of the following, as applicable.

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.

Schedule of Investment Returns

This is a 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3).

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

There were no changes of assumptions.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 515,925
Classified Salaries	2,651,410
Intergovernmental	20,545
Interfund Transfers Out	280,045
Cafeteria Fund:	
Classified Salaries	122,282
Capital Outlay	373,086

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Supplementary Information

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RIVERSIDE UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2017

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 *
Tom Hunt	President	December 2020
Brent Lee	Vice President	December 2018
Patricia Lock-Dawson	Clerk	December 2020
Kathy Y. Allavie	Member	December 2018
Dr. Angelor Farooq	Member	December 2020

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, Curriculum and Instruction, K-12

Sergio San Martin,
Assistant Superintendent, Operations

Timothy Walker,
Assistant Superintendent, Pupil Services, SELPA

Renee Hill,
Assistant Superintendent, Instructional Support

* On August 15, 2017, the Board approved a resolution to align board member terms with state elections.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report	Annual Report
	Certificate No. (7870F295)	Certificate No. (73320565)
Regular ADA:		
Transitional Kindergarten through Third	11,780.09	11,764.54
Fourth through Sixth	9,319.68	9,307.56
Seventh through Eighth	6,041.03	6,038.45
Ninth through Twelfth	12,516.33	12,460.28
Total Regular ADA	39,657.13	39,570.83
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	4.71	4.28
Fourth through Sixth	14.53	13.31
Seventh through Eighth	16.95	15.72
Ninth through Twelfth	41.00	37.56
Total Special Education, Nonpublic, Nonsectarian Schools	77.19	70.87
Total ADA	39,734.32	39,641.70

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2017*

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
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	57,680	180	Complied
Grade 8	54,000	57,720	180	Complied
Grade 9	64,800	64,890	180	Complied
Grade 10	64,800	64,890	180	Complied
Grade 11	64,800	64,890	180	Complied
Grade 12	64,800	64,890	180	Complied

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund	(Budget) 2018 ³	2017	2016	2015
Revenues and other financing sources	\$ 455,770,263	\$ 462,050,323	\$ 454,643,418	\$ 383,432,186
Expenditures	494,509,609	476,886,484	424,371,192	375,680,844
Other uses and transfers out	-	3,064,727	3,846,490	3,091,000
Total outgo	494,509,609	479,951,211	428,217,682	378,771,844
Change in fund balance (deficit)	(38,739,346)	(17,900,888)	26,425,736	4,660,342
Ending fund balance	\$ 59,784,438	\$ 98,523,784	\$ 116,424,672	\$ 89,998,936
Available reserves ¹	\$ 11,577,060	\$ 9,599,025	\$ 8,564,354	\$ 15,863,825
Available reserves as a percentage of total outgo	2.3%	2.0%	2.0%	4.2%
Total long-term debt	\$ 745,520,801	\$ 752,128,765	\$ 578,061,723	\$ 460,159,650
Average daily attendance at P-2 ²	39,810	39,734	39,687	39,975

The General Fund balance has increased by \$8,524,848 over the past two years. The fiscal year 2017-18 adopted budget projects a decrease of \$38,739,346. 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 one of the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by \$292.0 million over the past two years.

Average daily attendance has decreased by 241 over the past two years. An increase of 76 ADA is anticipated during the fiscal year 2017-18.

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

² Excludes Adult Education ADA.

³ Revised Final Budget September, 2017.

RIVERSIDE UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2017*

*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, 2017

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	\$ 3,579,693	
School Breakfast Program - Basic	10.553	13525	16,023	
National School Lunch Program	10.555	13523	11,903,628	
Summer Food Service Program	10.559	10044	303,620	
USDA Donated Foods	10.555	N/A	<u>1,603,230</u>	
Subtotal Child Nutrition Cluster				\$ 17,406,194
Nutritional Education and Obesity Program	10.561	N/A		86,918
Fresh Fruit and Vegetable Program	10.582	14968		16,860
Centers and Family Day Care	10.558	13393	2,276,410	
Cash in Lieu of Commodities	10.558	13389	<u>165,688</u>	
Subtotal Child and Adult Care Food Program				<u>2,442,098</u>
Total U.S. Department of Agriculture				<u>19,952,070</u>
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.357	N/A		<u>287,640</u>
Total U.S. Department of Defense				<u>287,640</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	189,588	
Adult Secondary Education	84.002	13978	110,436	
English Literacy & Civics Education	84.002A	14109	<u>38,121</u>	
Subtotal Adult Basic Education Cluster				338,145
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		10,952,530
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	23900		22,732
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,773,388
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		472,091
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	567,256	
Title III, Immigrant Education Program	84.365	15146	<u>36,429</u>	
Subtotal English Language Acquisition Grants Cluster				603,685
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		1,426,639
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332		142,721
Carl D. Perkins Career and Technical Education: Secondary Sec 131	84.048	14894		301,283
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	7,507,170	
Local Assistance, Part B, Private School ISPs	84.027	10115	4,989	
Preschool Grants, Part B, Sec 619	84.173	13430	157,613	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	228,888	
Mental Health Allocation Plan, Part B	84.027A	14468	446,307	
Preschool Staff Development, Part B	84.173A	13431	<u>2,826</u>	
Subtotal Special Education Cluster (IDEA)				8,347,793
Early Intervention Grants	84.181	24314		<u>141,675</u>
Total U.S. Department of Education				<u>24,522,682</u>
U.S. Department of Health & Human Services:				
Passed through Riverside County Office of Education (RCOE):				
Head Start	93.600	10016	1,360,587	
Head Start Child Care Partnership Grant	93.600	15291	<u>48,684</u>	
Subtotal Head Start Cluster				1,409,271
Passed through California Department of Health Services:				
Medi-Cal Administrative Activities	93.778	10060	15,737	
Medi-Cal Billing Option	93.778	10013	<u>1,389,053</u>	
Subtotal Medicaid Cluster				<u>1,404,790</u>
Total U.S. Department of Health & Human Services				<u>2,814,061</u>
Total Expenditures of Federal Awards				<u>\$ 47,576,453</u>

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, 2017

<u>Charter School</u>	<u>Included in Financial Statements</u>
REACH Leadership Academy	Not included
Encore High School for the Arts - Riverside	Not included

RIVERSIDE UNIFIED SCHOOL DISTRICT

*Combining Balance Sheet - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2017*

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash	\$ 3,083,885	\$ 336,280	\$ 5,998,184	\$ 8,199,565	\$ -	\$ 18,823,890	\$ 1,838,695	\$ 38,280,499
Investments	-	-	-	-	198,281	-	1,220,223	1,418,504
Accounts receivable	132,553	398,913	12,421	142,234	-	-	3,906	690,027
Due from other funds	126,636	195,925	-	71,038	-	-	-	393,599
Total Assets	<u>\$ 3,343,074</u>	<u>\$ 931,118</u>	<u>\$ 6,010,605</u>	<u>\$ 8,412,837</u>	<u>\$ 198,281</u>	<u>\$ 18,823,890</u>	<u>\$ 3,062,824</u>	<u>\$ 40,782,629</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 197,097	\$ 1,445	\$ 229,812	\$ 586,914	\$ -	\$ -	\$ -	\$ 1,015,268
Due to other funds	117,520	929,673	580,412	60,009	-	-	-	1,687,614
Total Liabilities	<u>314,617</u>	<u>931,118</u>	<u>810,224</u>	<u>646,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,702,882</u>
Fund Balances								
Restricted	1,253,024	-	5,200,381	2,862,581	198,281	18,823,890	3,062,824	31,400,981
Committed	-	-	-	4,903,333	-	-	-	4,903,333
Assigned	1,775,433	-	-	-	-	-	-	1,775,433
Total Fund Balances	<u>3,028,457</u>	<u>-</u>	<u>5,200,381</u>	<u>7,765,914</u>	<u>198,281</u>	<u>18,823,890</u>	<u>3,062,824</u>	<u>38,079,747</u>
Total Liabilities and Fund Balances	<u>\$ 3,343,074</u>	<u>\$ 931,118</u>	<u>\$ 6,010,605</u>	<u>\$ 8,412,837</u>	<u>\$ 198,281</u>	<u>\$ 18,823,890</u>	<u>\$ 3,062,824</u>	<u>\$ 40,782,629</u>

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, 2017*

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES								
Federal sources	\$ 338,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,145
Other state sources	3,147,642	2,585,649	1,986,110	1,640,958	-	90,428	-	9,450,787
Other local sources	98,842	104,138	38,840	1,569,256	830	10,272,466	14,909	12,099,281
Total Revenues	<u>3,584,629</u>	<u>2,689,787</u>	<u>2,024,950</u>	<u>3,210,214</u>	<u>830</u>	<u>10,362,894</u>	<u>14,909</u>	<u>21,888,213</u>
EXPENDITURES								
Current:								
Instruction:								
Instruction related-services	2,119,337	2,186,666	-	-	-	-	-	4,306,003
Supervision of instruction	374	463,476	-	-	-	-	-	463,850
School site administration	687,862	779	-	-	-	-	-	688,641
Pupil support services:								
Food services	-	5,606	-	-	-	-	-	5,606
All other pupil services	-	57,446	-	-	-	-	-	57,446
General administration services:								
Plant services	238,378	2,979	-	-	-	-	-	241,357
Transfers of indirect costs	117,218	124,814	-	-	-	-	-	242,032
Capital outlay	148,741	-	1,137,746	7,006,792	185,117	-	-	8,478,396
Debt service:								
Principal	-	-	-	-	-	4,930,000	1,342,644	6,272,644
Interest	-	-	-	-	-	5,078,437	766,536	5,844,973
Total Expenditures	<u>3,311,910</u>	<u>2,841,766</u>	<u>1,137,746</u>	<u>7,006,792</u>	<u>185,117</u>	<u>10,008,437</u>	<u>2,109,180</u>	<u>26,600,948</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>272,719</u>	<u>(151,979)</u>	<u>887,204</u>	<u>(3,796,578)</u>	<u>(184,287)</u>	<u>354,457</u>	<u>(2,094,271)</u>	<u>(4,712,735)</u>
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	1,324	151,979	-	709,334	-	-	2,631,379	3,494,016
Interfund transfers out	-	-	(1,005)	(164,055)	(3,037,192)	-	-	(3,202,252)
Premium on issuance	-	-	-	-	-	9,374,455	-	9,374,455
Total Other Financing Sources and Uses	<u>1,324</u>	<u>151,979</u>	<u>(1,005)</u>	<u>545,279</u>	<u>(3,037,192)</u>	<u>9,374,455</u>	<u>2,631,379</u>	<u>9,666,219</u>
Net Change in Fund Balances	274,043	-	886,199	(3,251,299)	(3,221,479)	9,728,912	537,108	4,953,484
Fund Balances, July 1, 2016	2,754,414	-	4,314,182	11,017,213	3,419,760	9,094,978	2,525,716	33,126,263
Fund Balances, June 30, 2017	<u>\$ 3,028,457</u>	<u>\$ -</u>	<u>\$ 5,200,381</u>	<u>\$ 7,765,914</u>	<u>\$ 198,281</u>	<u>\$ 18,823,890</u>	<u>\$ 3,062,824</u>	<u>\$ 38,079,747</u>

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2017

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, 2017.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 47,625,813
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	471,897
Medi-Cal Administrative Activities	93.778	<u>(521,257)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 47,576,453</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2017

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, 2017, 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 January 9, 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2017-001 and 2017-002.

Riverside Unified School District's Responses to Findings

Riverside Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in blue ink that reads "Nigro+Nigro, PC".

Murrieta, California
January 9, 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 2016-17 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, 2017.

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 2016-17 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:

Table with 2 columns: Description, Procedures Performed. Rows include Attendance, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time, Instructional Materials, and Ratio of Administrative Employees to Teachers.

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
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
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, 2017.

Other Matter(s)

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-002. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Riverside Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
January 9, 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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

Riverside Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Murrieta, California
January 9, 2018

Findings and Questioned Costs

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RIVERSIDE UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Basic Grants</u>
<u>84.367</u>	<u>Title II, Part A, Supporting Effective Instruction</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,427,294</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
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 2016-17.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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).

Finding 2017-001: School-Wide Plans (50000)

Program Identification: Title I, Part A (CFDA No. 84.010) and Title II, Part A (CFDA No. 84.367)

Federal Agency: U.S. Department of Education

Pass-through Entity: California Department of Education

Criteria: 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.

Condition: 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.

Context: This condition was observed in all three elementary school-wide plans selected for review and was the first time it was observed.

Questioned Cost: Not applicable.

Effect: The Schools' school-wide plans are lacking one required component, which could affect the outcome or opinion of someone relying on the review of the school-wide plans.

Cause: This happened because the District experienced turnover and the section was overlooked.

Recommendation: 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.

Views of Responsible Officials: Riverside Unified School District uses an online system for building our Single Plans for Student Achievement (SPSA). This system is called Document Tracking Services (DTS). DTS provides templates for building our SPSAs and our School Accountability Report Cards. Based on the conversations of this audit, I contacted DTS to inquire about a template that has successfully passed through a federal review. DTS shared an approved template. This template has been uploaded to RUSD's DTS system. Training and work time for principals/designees to complete the additional sections of the SPSA will take place throughout October and November.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2017-002: School Accountability Report Card (72000)

Criteria: 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.

Condition: It was noted that the School Facility Repair Status on the SARC for Franklin Elementary and North High did not match the FIT forms.

Question Costs: None.

Context: The error was noted for two of the thirteen schools selected.

Cause: The SARC for Franklin Elementary reported the Restroom category as being in "Good" condition, while the FIT form reported it as "Poor". The SARC for North High reported the Electrical category as being in "Good" condition, while the FIT form reported it as "Poor".

Effect: Without proper compliance, the public will be misinformed on the status of the school's facilities.

Recommendation: We recommend that an employee verify the information presented in the SARC prior to publishing the information.

Views of Responsible Officials: In the past Maintenance & Operations prepared the FIT documents and then forwarded the hard copies to Research, Assessment and Evaluation (RAE) to input into the SARC. This was a manual process. Now Maintenance & Operations will prepare the FIT and submit them electronically to Document Tracking Services (contractor) who will then upload the FIT data directly into the SARC. All manual entry into the SARC has been eliminated. In addition, all FITs will now be completed prior to the end of each calendar year to allow RAE appropriate time to review.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2016-001: School Accountability Report Card</i>	<p>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 Education Code §17002.</p> <p>It was noted that the School Facility Repair Status on the SARC for Central Middle School did not match the FIT form.</p>	72000	We recommend that an employee verify the information presented in the SARC.	Implemented. However, see Finding 2017- 002.