

RAVENSWOOD CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
EAST PALO ALTO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2019



Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

Page Intentionally Left Blank

RAVENSWOOD CITY SCHOOL DISTRICT

County of San Mateo

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Governmental Funds Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Proprietary Fund Statement of Net Position	23
Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position.....	24
Proprietary Fund Statement of Cash Flows	25
Notes to the Basic Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP) - General Fund	61
Schedule of Pension Plan Contributions.....	62
Schedule of Proportionate Share of Net Pension Liability	63
Schedule of Changes in Total OPEB Liability	64
SUPPLEMENTARY INFORMATION:	
Combining Statements - Nonmajor Funds:	
Nonmajor Governmental Funds - Combining Balance Sheet	69
Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	70

RAVENSWOOD CITY SCHOOL DISTRICT

County of San Mateo

Table of Contents

State and Federal Award Compliance Section:

Organization (Unaudited).....	73
Schedule of Average Daily Attendance.....	74
Schedule of Instructional Time	75
Schedule of Charter Schools (Unaudited)	76
Schedule of Financial Trends and Analysis (Unaudited)	77
Schedule of Expenditures Federal Awards.....	78
Reconciliation of the Annual Financial and Budget Report (SACS) with Audited Financial Statements	79
Notes to State and Federal Award Compliance Section.....	80

OTHER INDEPENDENT AUDITOR’S REPORTS:

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance	85
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on State Programs	87

FINDINGS AND RECOMMENDATIONS:

Schedule of Findings and Questioned Costs	91
Schedule of Prior Year Findings and Recommendations	94

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Ravenswood City School District
East Palo Alto, 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 the Ravenswood City School District (the District), as of and for the year ended June 30, 2019, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

Opinion

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 the District, as of June 30, 2019, and the respective changes in financial position for



the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2019, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension liabilities and deferrals as reported in Note 10 and 11. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and District Placements*. The District did not report any direct borrowings and direct placements as of June 30, 2019. Our opinion has not been modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension plan contributions, schedule of proportionate share of net pension liability, and schedule of changes in total OPEB liability, as listed in the table of contents, 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.

Supplementary 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 combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget Report (SACS) with Audited Financial Statements, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative*



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget Report (SACS) with Audited Financial Statements are the responsibility of management and were derived from and relates 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 combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget Report (SACS) with Audited Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

January 27, 2020
San Jose, California

Management's Discussion and Analysis

Ravenswood City School District

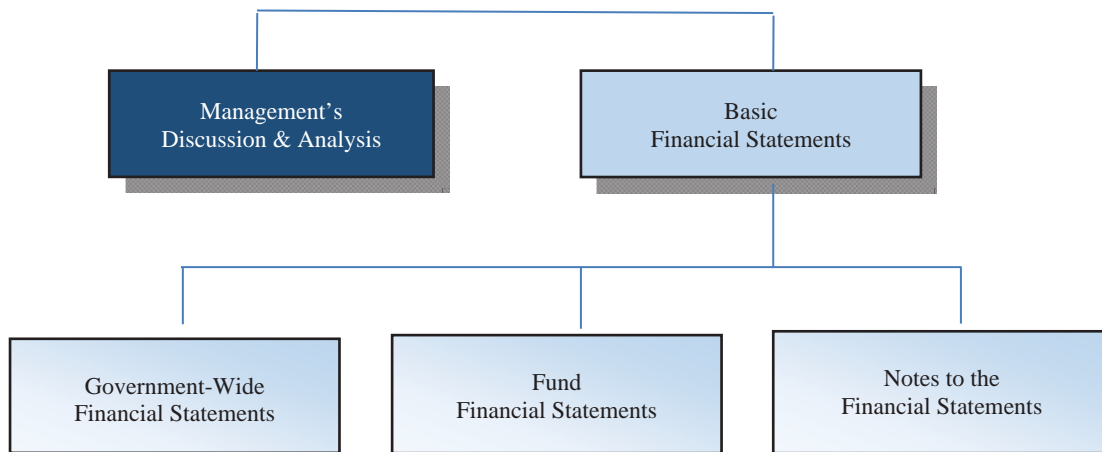
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2019 were as follows:

- Total net position increased by \$1.77 million (7.7%), from June 30, 2018 to June 30, 2019.
- The District recorded deferred outflows of resources of \$11.6 million, a decrease of 31%, and deferred inflows of resources of \$8.1 million, an increase of 58%, as required by governmental accounting standards for pensions and other postemployment benefits. Deferred outflows of resources are not assets but increase the Statement of Net Position similarly to an asset and deferred inflows of resources are not liabilities but decrease the Statement of Net Position similarly to liabilities.
- The District had \$52.2 million in government-wide expenses which is 97% of total government-wide revenues versus 101% in the prior year. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$13 million, or 24%, of the total revenues of \$54 million.
- General revenues of \$41 million which includes property taxes, unrestricted federal and state grants and LCFF sources, was 76% of total revenues in 2019 versus 73% in 2018.

Ravenswood City School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

- The fund balances of all governmental funds increased by \$25 million, which is a 81% increase from 2018.
- Total governmental fund revenues and expenditures totaled \$54 million and \$57 million, respectively for the fiscal year ended 2019.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2018 - 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies.

Ravenswood City School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds were the General Fund, Building Fund, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. We use internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

Ravenswood City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2019 as compared to June 30, 2018:

Table 1 - Summary of Statement of Net Position				
Description	2019	2018	Change	Percentage Change
Assets				
Current Assets	\$ 60,645,846	\$ 36,694,512	\$ 23,951,334	65.27%
Capital Assets	31,813,613	24,939,635	6,873,978	27.56%
Total Assets	\$ 92,459,459	\$ 61,634,147	\$ 30,825,312	50.01%
Total Deferred Outflows of Resources	\$ 11,645,639	\$ 15,303,124	\$ (3,657,485)	-31.41%
Liabilities				
Current Liabilities	\$ 5,598,958	\$ 6,190,400	\$ (591,442)	-9.55%
Long-term Liabilities	111,788,839	90,548,751	21,240,088	23.46%
Total Liabilities	\$ 117,387,797	\$ 96,739,151	\$ 20,648,646	21.34%
Total Deferred Inflows of Resources	\$ 8,126,117	\$ 3,375,810	\$ 4,750,307	58.46%
Net Position				
Net Investment in Capital Assets	\$ 11,905,459	\$ 11,102,859	\$ 802,600	7.23%
Restricted	6,153,361	2,195,694	3,957,667	180.25%
Unrestricted	(39,467,636)	(36,476,243)	(2,991,393)	-8.20%
Total Net Position	\$ (21,408,816)	\$ (23,177,690)	\$ 1,768,874	7.63%

Capital assets increased by 28% from additions to work-in-progress from facilities improvements and construction. Current assets increase by 65% due to unspent bond proceeds issued for facilities improvements and constructions. General obligation bonds increased by \$25.5 million due to new bond issuances during the year. Restricted net assets increased by 180% because unspent bond proceeds from new issuances are restricted to facilities improvements.

Ravenswood City School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

Table 2 shows the changes in net position for fiscal year 2019 as compared to 2018:

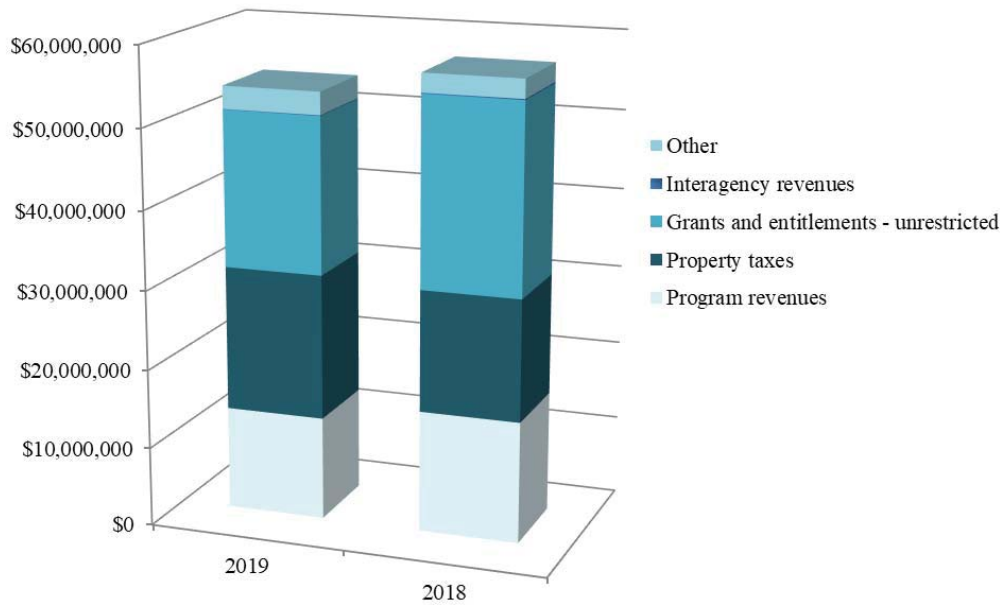
Table 2 - Summary of Changes in Statement of Activities				
Description	2019	2018	Change	Percentage Change
Revenues				
Program revenues	\$ 13,044,316	\$ 15,365,592	\$ (2,321,276)	-15.11%
General revenues:				
Property taxes	18,282,212	15,326,429	2,955,783	19.29%
Grants and entitlements - unrestricted	19,719,202	23,825,118	(4,105,916)	-17.23%
Interagency revenues	73,376	114,968	(41,592)	-36.18%
Other	2,861,355	2,385,933	475,422	19.93%
Total Revenues	53,980,461	57,018,040	(3,037,579)	-5.33%
Program Expenses				
Instruction	27,640,770	30,889,865	(3,249,095)	-10.52%
Instruction-related services	5,789,866	7,242,370	(1,452,504)	-20.06%
Pupil services	4,386,720	4,926,941	(540,221)	-10.96%
General administration	5,542,500	4,920,728	621,772	12.64%
Plant services	4,340,776	5,953,325	(1,612,549)	-27.09%
Ancillary services	57,640	129,922	(72,282)	-55.63%
Interest on long-term debt	2,000,061	1,159,592	840,469	72.48%
Other outgo	826,754	794,619	32,135	4.04%
Depreciation	1,626,500	1,615,689	10,811	0.67%
Total Expenses	52,211,587	57,633,051	(5,421,464)	-9.41%
Change in Net Position	1,768,874	(615,011)	2,383,885	387.62%
Begininng Net Position	(23,177,690)	(22,697,643)	(480,047)	-2.11%
Prior Period Adjustments	-	134,964	(134,964)	-100.00%
Ending Net Position	\$ (21,408,816)	\$ (23,177,690)	\$ 1,768,874	7.63%

The District's expenses for instructional services was 64% of total expenses in 2018-19 as compared to 66% in 2017-18. The purely administrative activities of the District accounted for 11% of total costs in 2018-19 as compared to 9% in 2017-18. Interest on long-term debt represented 4% of total expenses in 2018-19 as compared to 2% in 2017-18. Program revenues were 24% of total revenues in 2018-19 and 27% of total revenues in 2017-18.

Ravenswood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

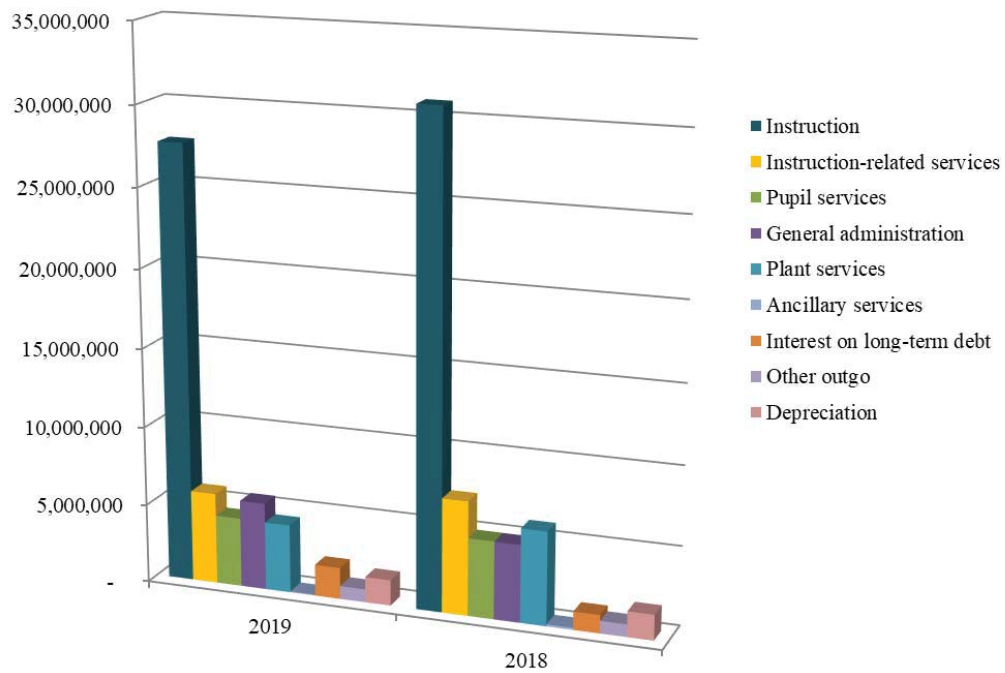
The following is a summary of government wide revenues for the fiscal year ended June 30, 2019:

Gov't Wide Revenues



The following is a summary of expenses by function for the fiscal year ended June 30, 2019:

Gov't Wide Program Expenses



Ravenswood City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services					
Description	2019	2018	Change	Percentage Change	
Instruction	\$ 19,906,245	\$ 22,715,466	\$ (2,809,221)	-12.37%	
Instruction-related services	4,398,200	5,093,822	(695,622)	-13.66%	
Pupil services	1,800,547	2,113,566	(313,019)	-14.81%	
General administration	5,219,419	4,372,326	847,093	19.37%	
Plant services	3,363,650	5,760,858	(2,397,208)	-41.61%	
Ancillary services	44,079	53,201	(9,122)	-17.15%	
Interest on long-term debt	2,000,061	1,159,592	840,469	72.48%	
Other outgo	808,570	(617,061)	1,425,631	-176.32%	
Depreciation - unallocated	1,626,500	1,615,689	10,811	0.67%	
Total Net Cost of Services	\$ 39,167,271	\$ 42,267,459	\$ (3,100,188)	-7.33%	

The following summarizes the District's most significant functions:

- *Instruction* expenditures include activities directly dealing with the teaching of pupils.
- *Instruction-related Services* include the activities involved with assisting staff with the content and process of educating students.
- *Pupil Services* include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- *General Administration* reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.
- *Plant Services* involve keeping the school grounds and equipment in effective working condition.

THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

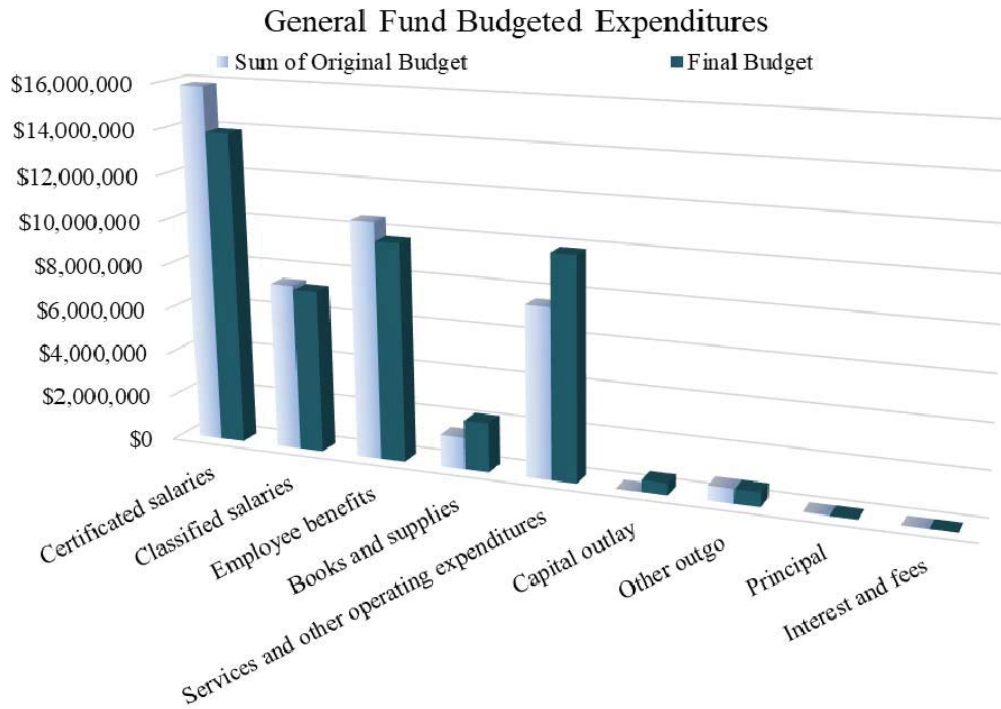
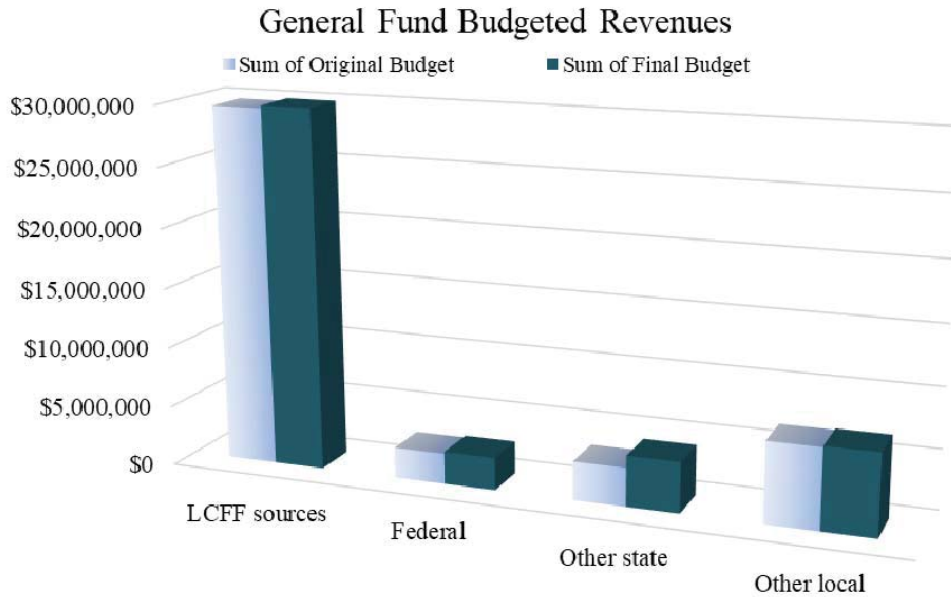
Table 4 - Summary of Fund Balances					
Description	2019	2018	Change	Percentage Change	
General Fund	\$ 9,516,099	\$ 5,670,440	\$ 3,845,659	67.82%	
Building Fund	33,806,846	16,768,287	17,038,559	101.61%	
Bond Interest and Redemption Fund	6,825,176	2,968,892	3,856,284	129.89%	
Nonmajor Funds	5,779,430	5,568,998	210,432	3.78%	
Total Fund Balances	\$ 55,927,551	\$ 30,976,617	\$ 24,950,934	80.55%	

Ravenswood City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2018-19 fiscal year, the District revised its General Fund budget twice, at 1st interim and 2nd interim. The following charts summarize the changes from the District's original and final budgets.



Ravenswood City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSETS

Table 5 shows June 30, 2019 balances as compared to June 30, 2018.

Table 5 - Summary of Capital Assets Net of Depreciation				
Description	2019	2018	Change	Percentage Change
Land	\$ 350,178	\$ 350,178	\$ -	0.00%
Work-in-Progress	7,290,510	-	7,290,510	100.00%
Site Improvements	438,957	508,216	(69,259)	-13.63%
Buildings and Improvements	23,222,042	23,335,217	(113,175)	-0.48%
Vehicle and Equipment	511,926	746,024	(234,098)	-31.38%
Total Capital Assets - Net	\$ 31,813,613	\$ 24,939,635	\$ 6,873,978	27.56%

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

Table 6 - Summary of Long-term Liabilities				
Description	2019	2018	Change	Percentage Change
General Obligation Bonds	\$ 57,651,205	\$ 32,192,077	\$ 25,459,128	79.09%
Capital Leases	-	10,063	(10,063)	-100.00%
Net Pension Liabilities	46,241,636	51,111,528	(4,869,892)	-9.53%
Total OPEB Liability	7,610,199	7,012,363	597,836	8.53%
Compensated Absences	285,799	222,720	63,079	28.32%
Total Long-term Liabilities	\$ 111,788,839	\$ 90,548,751	\$ 21,240,088	23.46%

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that will affect the Ravenswood City School District's future.

The District experienced a decrease in enrollment and ADA in 2018-19 and is projecting that it will continue in future years. One significant issue the District will face over the next few years is higher costs arising from scheduled pension contribution rate increases.

Projections of California's economic future by the Department of Finance are mostly positive. The state has made significant progress toward the full implementation of the Local Control Funding Formula (LCFF) which replaced the state Revenue Limit funding model in 2013-2014. The State fully implemented 100% GAP LCFF funding in 2018-19 two years ahead of schedule. The economy has finished its ninth year of expansion, lasting three years longer than the average recovery. The Governor and the Department of Finance urge the Legislature and local governments, including School districts, to plan for the next recession. School districts are advised to budget conservatively and to maintain adequate reserves over the minimum typical 3%-5% required by the state.

Future predictions and uncertainties with the changes to the State funding formula, enrollment, and aging District facilities require District management to plan carefully and prudently to provide the necessary

Ravenswood City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

resources to meet the student's needs, continue to keep pace with inflation increases, and maintain financial solvency over the next several years.

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, please contact the Chief Business Officer, Business Services, at Ravenswood City School District, 2120 Euclid Avenue, East Palo Alto, California 94303-1799.

Page Intentionally Left Blank

Basic Financial Statements

Ravenswood City School District

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 57,504,046
Accounts receivable	2,978,834
Prepaid expenditures	24,486
Stores inventories	138,480
Total current assets	<u>60,645,846</u>
Noncurrent assets:	
Non-depreciable capital assets	350,178
Capital assets, net of depreciation	31,463,435
Total noncurrent assets	<u>31,813,613</u>
Total Assets	<u><u>\$ 92,459,459</u></u>
Deferred Outflows of Resources	
Pension adjustments	\$ 11,645,639
Total Deferred Outflows of Resources	<u><u>\$ 11,645,639</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 4,369,551
Unearned revenue	187,407
Accrued interest	1,042,000
Total current liabilities	<u>5,598,958</u>
Long-term liabilities:	
Due within one year	3,585,000
Due after one year	108,203,839
Total long-term liabilities	<u>111,788,839</u>
Total Liabilities	<u><u>\$ 117,387,797</u></u>
Deferred Inflows of Resources	
Pension adjustments	\$ 8,126,117
Total Deferred Inflows of Resources	<u><u>\$ 8,126,117</u></u>
Net Position	
Net investment in capital assets	\$ 11,905,459
Restricted for:	
Educational programs	1,589,996
Debt service	2,851,255
Cafeteria programs	552,332
Capital projects	1,159,778
Unrestricted	(39,467,636)
Total Net Position	<u><u>\$ (21,408,816)</u></u>

The notes to the financial statements are an integral part of this statement.

Ravenswood City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense)
			Operating	Revenue and
	Expenses	Charges for	Grants and	Changes in
		Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 27,640,770	\$ 18,390	\$ 7,716,135	\$ (19,906,245)
Instruction-related services:				
Supervision of instruction	2,179,838	1,125	406,077	(1,772,636)
Instruction library, media and technology	168,008	-	153,730	(14,278)
School site administration	3,442,020	3,149	827,585	(2,611,286)
Pupil services:				
Home-to-school transportation	1,366,962	-	73,566	(1,293,396)
Food services	2,486,991	11,697	2,439,765	(35,529)
All other pupil services	532,767	384	60,761	(471,622)
General administration:				
All other general administration	5,542,500	-	323,081	(5,219,419)
Plant services	4,340,776	1,014	976,112	(3,363,650)
Ancillary services	57,640	-	13,561	(44,079)
Interest on long-term debt	2,000,061	-	-	(2,000,061)
Other outgo	826,754	18,184	-	(808,570)
Depreciation - unallocated	1,626,500	-	-	(1,626,500)
Total governmental activities	<u>\$ 52,211,587</u>	<u>\$ 53,943</u>	<u>\$ 12,990,373</u>	<u>(39,167,271)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				11,058,818
Taxes levied for debt service				4,629,003
Taxes levied for other specific purposes				2,594,391
Federal and state aid not restricted to specific purposes				19,719,202
Interest and investment earnings				779,462
Interagency revenues				73,376
Miscellaneous				2,081,893
Total general revenues				<u>40,936,145</u>
Change in net position				1,768,874
Net position beginning				<u>(23,177,690)</u>
Net position ending				<u>\$ (21,408,816)</u>

The notes to the financial statements are an integral part of this statement.

Ravenswood City School District

Governmental Funds

Balance Sheet

June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 9,351,365	\$ 34,472,397	\$ 6,787,460	\$ 5,402,201	\$ 56,013,423
Accounts receivable	2,299,364	211,735	37,716	422,244	2,971,059
Due from other funds	413,445	-	-	281,624	695,069
Prepaid expenditures	24,486	-	-	-	24,486
Stores inventories	138,480	-	-	-	138,480
Total Assets	\$ 12,227,140	\$ 34,684,132	\$ 6,825,176	\$ 6,106,069	\$ 59,842,517
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,242,010	\$ 767,195	\$ -	\$ 23,285	\$ 3,032,490
Due to other funds	281,624	110,091	-	303,354	695,069
Unearned revenue	187,407	-	-	-	187,407
Total Liabilities	2,711,041	877,286	-	326,639	3,914,966
Fund balances:					
Nonspendable:					
Revolving fund	10,000	-	-	-	10,000
Stores inventories	138,480	-	-	-	138,480
Prepaid expenditures	24,486	-	-	-	24,486
Restricted for:					
Educational programs	1,589,996	-	-	-	1,589,996
Debt service	-	-	6,825,176	-	6,825,176
Cafeteria programs	-	-	-	552,332	552,332
Capital projects	859,793	33,806,846	-	299,985	34,966,624
Committed for:					
Stabilization Arrangements	4,597,115	-	-	-	4,597,115
Educational programs	776,474	-	-	-	776,474
Assigned for:					
Capital projects	233,678	-	-	4,914,518	5,148,196
Cafeteria programs	-	-	-	3,039	3,039
Child Development	-	-	-	9,556	9,556
Unassigned:					
Economic uncertainties	1,261,332	-	-	-	1,261,332
Unappropriated	24,745	-	-	-	24,745
Total Fund Balances	9,516,099	33,806,846	6,825,176	5,779,430	55,927,551
Total Liabilities and Fund Balances	\$ 12,227,140	\$ 34,684,132	\$ 6,825,176	\$ 6,106,069	\$ 59,842,517

The notes to the financial statements are an integral part of this statement.

Ravenswood City School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds	\$ 55,927,551
--	---------------

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 52,915,236	
Accumulated depreciation	<u>(21,101,623)</u>	31,813,613

Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(1,042,000)
--	-------------

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.	11,645,639
--	------------

The differences from pension plan assumptions in actuarial valuations are not included in the plans' actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.	(8,126,117)
---	-------------

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the Statement of Net Position.	161,337
---	---------

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

General obligation bonds	\$ 57,651,205	
Total OPEB liability	7,610,199	
Net pension liability	46,241,636	
Compensated absences (vacation)	<u>285,799</u>	<u>(111,788,839)</u>

Total net position - governmental activities	<u>\$ (21,408,816)</u>
--	------------------------

Ravenswood City School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 29,872,981	\$ -	\$ -	\$ -	\$ 29,872,981
Federal revenue	2,523,692	-	2,174	2,264,992	4,790,858
Other state	5,881,565	-	10,727	199,564	6,091,856
Other local	7,312,215	705,038	4,705,054	502,459	13,224,766
Total revenues	45,590,453	705,038	4,717,955	2,967,015	53,980,461
Expenditures:					
Current					
Instruction	25,233,754	-	-	407	25,234,161
Instruction-related services:					
Supervision of instruction	1,994,597	-	-	-	1,994,597
Instruction library, media and technology	153,730	-	-	-	153,730
School site administration	3,149,513	-	-	7	3,149,520
Pupil services:					
Home-to-school transportation	1,250,799	-	-	-	1,250,799
Food services	-	-	-	2,275,649	2,275,649
All other pupil services	487,493	-	-	-	487,493
General administration:					
All other general administration	5,068,148	-	-	3,354	5,071,502
Plant services	3,793,343	1,000	-	177,557	3,971,900
Facilities acquisition and construction	18,307	8,500,479	-	-	8,518,786
Ancillary services	57,640	-	-	-	57,640
Other outgo	826,754	-	-	-	826,754
Debt service:					
Principal	10,063	-	1,880,000	-	1,890,063
Interest and fees	262	165,000	1,645,662	-	1,810,924
Total expenditures	42,044,403	8,666,479	3,525,662	2,456,974	56,693,518
Excess (deficiency) of revenues over (under) expenditures	3,546,050	(7,961,441)	1,192,293	510,041	(2,713,057)
Other financing sources (uses):					
Transfers in	300,000	-	-	391	300,391
Transfers out	(391)	-	-	(300,000)	(300,391)
Proceeds from bond issuance	-	25,000,000	-	-	25,000,000
Premium from bond issuance	-	-	2,663,991	-	2,663,991
Total other financing sources (uses)	299,609	25,000,000	2,663,991	(299,609)	27,663,991
Net changes in fund balances	3,845,659	17,038,559	3,856,284	210,432	24,950,934
Fund balances beginning	5,670,440	16,768,287	2,968,892	5,568,998	30,976,617
Fund balances ending	\$ 9,516,099	\$ 33,806,846	\$ 6,825,176	\$ 5,779,430	\$ 55,927,551

The notes to the financial statements are an integral part of this statement.

Ravenswood City 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, 2019

Total net change in fund balances - governmental funds	\$ 24,950,934
--	---------------

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.

Current year capital additions	\$ 8,500,478	
Depreciation expense	<u>(1,626,500)</u>	6,873,978

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	105,842
--	---------

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of bond principal	\$ 1,880,000	
Proceeds from issuance of bond	(25,000,000)	
Bond premiums	(2,663,991)	
Repayment of lease obligations	<u>10,063</u>	(25,773,928)

Premiums related to bond issues is recorded as other financing sources and uses in the fund financial statements, but is recorded as assets or liabilities and amortized over the life of the bond in the Statement of Net Position:	324,863
--	---------

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded the amounts earned.	(63,079)
--	----------

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(3,537,900)
--	-------------

In governmental funds, actual contributions to the OPEB plan is reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(597,836)
--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(514,000)</u>
--	------------------

Changes in net position of governmental activities	<u><u>\$ 1,768,874</u></u>
--	----------------------------

Ravenswood City School District

Statement of Net Position

Proprietary Fund

June 30, 2019

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance</u>
Assets	
Current assets:	
Cash and investments	\$ 1,490,623
Accounts receivable	7,775
Total Assets	<u>\$ 1,498,398</u>
Liabilities	
Current liabilities:	
Reserve for open claims	<u>\$ 1,337,061</u>
Total Liabilities	<u>\$ 1,337,061</u>
Net Position	
Unrestricted	<u>\$ 161,337</u>
Total Net Position	<u>\$ 161,337</u>

The notes to the financial statements are an integral part of this statement.

Ravenswood City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance</u>
Operating Revenues	
Self-insurance premiums	\$ 161,521
Operating Expenses	
Services and other operating expenditures	<u>85,630</u>
Operating income (loss)	75,891
Nonoperating Revenues (Expenses)	
Interest income	<u>29,951</u>
Net changes in net position	105,842
Beginning net position	<u>55,495</u>
Total net position - ending	<u><u>\$ 161,337</u></u>

The notes to the financial statements are an integral part of this statement.

Ravenswood City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance</u>
Cash Flows from Operating Activities	
Cash received from user premiums	\$ 459,576
Payments for insurance claims	<u>(719,929)</u>
Net cash provided by (used for) operating activities	<u>(260,353)</u>
 Cash Flows from Investing Activities	
Interest income	<u>29,952</u>
Net cash provided by (used for) investing activities	<u>29,952</u>
 Increase (decrease) in Cash and Cash Equivalents	(230,401)
Cash and Cash Equivalents - Beginning	<u>1,721,024</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,490,623</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 75,891
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Decrease (increase) in operating assets	
Accounts receivable	(2,229)
Due from other funds	300,284
Increase (decrease) in operating liabilities	
Accounts payable	<u>(634,299)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (260,353)</u></u>

The notes to the financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The District has a blended component unit, Ravenswood City School Facilities Financing Authority (the Authority). The Authority was formed to borrow money for the purpose of providing funds to purchase the District's general obligation refunding bonds and to finance the acquisition and construction of public capital improvements. Individual financial statements are not prepared for the Authority. The Authority's financial data is combined with the District's data. The Authority's General Obligation Revenue Bonds, Series 2006 were refunded in February 2016 by the 2016 General Obligation Refunding Bonds.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Fund Financial Statements:

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

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

Proprietary fund operating revenues 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 result from non-exchange transactions or ancillary activities.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

“Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

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

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reports in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of pension liability reports which is in the Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into governmental (major and nonmajor), proprietary and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

Major Governmental Funds:

The *General 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.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

One fund currently defined as special revenue funds in the California School Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds and may not be used for any purposes other than those for which the bonds were issued.

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

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Child Development Fund* is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- The *Cafeteria Fund* is used to account separately for federal, state and local resources to operate the food service program and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:

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

Debt Service Funds are used to account for the accumulation of resources for the payment of principal and interest on long-term debt. The District's only debt service fund is a major fund.

Proprietary Funds

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. The *Self Insurance Fund* which is used to provide worker's compensation benefits to the District's employees.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fiduciary Funds

Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Trust Fund is used to account for assets held by the District as a Trustee. The District maintains one foundation trust fund. This Fund is used to account for staff programs. During the fiscal year ended June 30, 2019, there were no activities or balances reported in this fund.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

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

G. 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 on June 30.

H. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

For this period, the following time frames were used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

I. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for measurement period included in the OPEB plan's actuarial reports.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

J. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

b) Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

c) Inventories and Prepaid Expenditures

Inventories

Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets. Inventories consist of expendable food and supplies held for consumption.

Prepaid expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical 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. Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized, but are expensed as incurred.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	20
Buildings and building improvements	20-25
Equipment	5-15
Vehicles	8

e) Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

f) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses.

g) Fund Balance Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District' minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of 3 percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balance includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are established, modified, or rescinded only through resolutions or other action as approved by the District's board of trustees.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

h) Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2019, capital assets net of accumulated depreciation totaling \$31,813,613 was increased by unspent bond proceeds of \$33,806,846 and reduced by related debt of \$53,715,000, which excluded premiums attributed to cash reserves for debt service of \$3,936,205. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Educational Program restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

Debt service restrictions reflect the cash balances in the debt service funds of \$6,787,460 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of \$3,936,205.

Cafeteria program restrictions reflect the amounts in the cafeteria fund to be expended for food services and child nutrition programs.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Capital projects restrictions will be used for the acquisition and construction of capital facilities.

Unrestricted net position reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

i) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

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

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

j) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group (SMCSIG) public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

k) Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

l) Eliminations and Reclassifications

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

m) Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Implemented New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District’s financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District’s financial statements.

L. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2019 is as follows:

Description	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash with fiscal agent	\$ 337,373	\$ 337,373	Not Rated
Cash in revolving funds	10,000	10,000	Not Rated
Cash with County	57,156,673	57,305,280	Not Rated
Total Cash Deposits	<u>\$ 57,504,046</u>	<u>\$ 57,652,653</u>	

Cash with Fiscal Agent:

Cash with fiscal agent represents the amount on deposit with Keenan & Associates Administrators in Union Bank related to the Self-Insurance Internal Service Fund.

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2019, the bank balance of the District's accounts with banks was \$338,939, of which \$88,939 was not insured by the FDIC.

Cash in County Treasury Investment Pool

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2019:

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

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately \$222.5 million and an amortized book value of \$221.9 million. The average weighted maturity for this pool is 295 days.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County of San Mateo Investment Pool is governed by the County's general investment policy. The investment with the County of San Mateo Investment Pool is rated at least A-1 by Standard & Poor's Investor Service.

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. However, 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). The market value of the pledged securities in the collateral

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2019:

Receivables	General Fund	Building Fund	Bond Interest & Redemption Fund	Nonmajor Funds	Total Governmental Funds	Proprietary Fund
Federal Government	\$ 1,768,664	\$ -	\$ -	\$ 381,950	\$ 2,150,614	\$ -
State Government	287,609	-	-	-	287,609	-
Local Government	14,920		37,716	7,631	60,267	-
Unrestricted	228,171	211,735	-	32,663	472,569	7,775
Totals	<u>\$ 2,299,364</u>	<u>\$ 211,735</u>	<u>\$ 37,716</u>	<u>\$ 422,244</u>	<u>\$ 2,971,059</u>	<u>\$ 7,775</u>

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2019 were as follows:

Capital Assets	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Land - not depreciable	\$ 350,178	\$ -	\$ -	\$ 350,178
Work-in-progress - not depreciable	-	7,290,510	-	7,290,510
Site Improvements	1,573,936	-	-	1,573,936
Buildings and Improvements	39,985,512	1,142,185	-	41,127,697
Vehicle and Equipment	2,505,132	67,783	-	2,572,915
Total capital assets	44,414,758	8,500,478	-	52,915,236
Less accumulated depreciation for:				
Site Improvements	1,065,720	69,259	-	1,134,979
Buildings and Improvements	16,650,295	1,255,360	-	17,905,655
Vehicle and Equipment	1,759,108	301,881	-	2,060,989
Total accumulated depreciation	19,475,123	1,626,500	-	21,101,623
Total capital assets - net depreciation	<u>\$ 24,939,635</u>	<u>\$ 6,873,978</u>	<u>\$ -</u>	<u>\$ 31,813,613</u>

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund receivables and payables (*Due From/Due To*) consisted of the following as of June 30, 2019:

Fund	Due From	Due To
General Fund	\$ 413,445	\$ 281,624
Building Fund	-	110,091
Nonmajor Funds	281,624	303,354
Totals	<u>\$ 695,069</u>	<u>\$ 695,069</u>

Interfund transfers consisted of the following for the fiscal year ended June 30, 2019:

Fund	Transfers In	Transfers Out
General Fund	\$ 300,000	\$ 391
Nonmajor Funds	391	300,000
Totals	<u>\$ 300,391</u>	<u>\$ 300,391</u>

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

6. LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2019, is shown below:

Description	Balance July 01, 2018	Additions	Adjustments & Deletions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$32,192,077	\$27,663,991	\$ 2,204,863	\$ 57,651,205	\$ 3,585,000
Capital Lease Liabilities	10,063	-	10,063	-	-
Net Pension Liabilities	51,111,528	16,445,553	21,315,445	46,241,636	-
Total OPEB Liability	7,012,363	900,129	302,293	7,610,199	-
Compensated Absences	222,720	63,079		285,799	-
Total Long-term Liabilities	<u>\$90,548,751</u>	<u>\$45,072,752</u>	<u>\$23,832,664</u>	<u>\$111,788,839</u>	<u>\$ 3,585,000</u>

Payments on the general obligation bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, OPEB liability, and pension liabilities are paid by the fund for which the employee worked.

General Obligation Bonds Payable

The following summarizes the general obligation bonds outstanding as of June 30, 2019:

Bond	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Issued	Adjustments & Redeemed	Bonds Outstanding June 30, 2019
2016 GORB	8/1/2022	2-5%	\$ 7,410,000	\$ 5,570,000	\$ -	\$ 1,105,000	\$ 4,465,000
2016 GOB, Series 2016	8/1/2041	2-5%	16,000,000	15,025,000	-	775,000	14,250,000
2016 GOB, Series 2018	8/1/2029	5%	10,000,000	10,000,000	-	-	10,000,000
2018 GOB, Series 2018	8/1/2043	5%	25,000,000	-	25,000,000	-	25,000,000
Subtotal General Obligation Bonds			58,410,000	30,595,000	25,000,000	1,880,000	53,715,000
Bond Premiums			4,811,969	1,597,077	2,663,991	324,863	3,936,205
Total General Obligation Bonds				<u>\$32,192,077</u>	<u>\$27,663,991</u>	<u>\$ 2,204,863</u>	<u>\$57,651,205</u>

On August 11, 2016, the District issued \$7,410,000 of 2016 General Obligation Refunding Bonds (2016 GORB), with interest rates ranging from 2% to 5%. The bonds were issued at a premium of \$857,911. Proceeds of the 2016 GORB applied to refund the District's 2006 General Obligation Refunding Bonds and pay costs of issuance of the 2016 GORB. Interest is payable on August 1 and February 1 and principal is payable on August 1 each year through 2022.

On December 14, 2016, the District issued \$16,000,000 of General Obligation Bonds, Election of 2016, Series 2016 (2016 GOB, Series 2016) to finance specific construction and modernization projects approved by the voters and to pay costs of issuance of the bonds. The bonds were issued at a premium of \$794,910, with interest rates ranging from 2% to 5%. Interest is payable on August 1 and February 1 and principal is payable on August 1 each year through 2029.

On February 15, 2018, the District issued \$10,000,000 of General Obligation Bonds, Election 2016, Series 2018 (2016 GOB, Series 2018) to finance specific construction and modernization projects and to pay costs

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

of issuance of the bonds. The bonds were issued at a premium of \$495,157, with an interest rate of 5%. Interest is payable on August 1 and February 1 and principal is payable on August 1 each year through 2029.

On December 4, 2018, the District issued \$25,000,000 of General Obligation Bonds, Election 2018, Series 2018 (2018 GOB, Series 2018) to finance specific construction and modernization projects approved by voters and to pay costs of issuance of the bonds. The bonds were issued at a premium of \$2,663,991, with an interest rate of 5%. Interest is payable on February 1 and August 1 and principal is payable on August 1 each year through 2043.

The annual debt service requirements of the District's general obligation bonds are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,585,000	\$ 2,410,869	\$ 5,995,869
2021	4,010,000	\$ 2,227,169	6,237,169
2022	1,765,000	\$ 2,088,969	3,853,969
2023	1,280,000	\$ 2,012,844	3,292,844
2024	585,000	\$ 1,966,219	2,551,219
2025-2029	5,040,000	\$ 9,229,970	14,269,970
2030-2034	9,770,000	\$ 7,479,672	17,249,672
2035-2039	15,110,000	\$ 4,812,431	19,922,431
2040-2044	12,570,000	\$ 1,494,289	14,064,289
Total Debt Service	<u>\$ 53,715,000</u>	<u>\$ 33,722,432</u>	<u>\$ 87,437,432</u>

Capital Lease Obligations

The District had a lease purchase agreement for office equipment, which qualified as a capital lease for accounting purposes and therefore was recorded at the present value of future minimum lease payments at the date of the inception of the lease, June 27, 2013. Principal and interest payments of 10,091 were to be made monthly until August 1, 2018.

7. COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

Federal and State Allowances, Awards, and Grants

The District has received federal and state 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.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Commitments

As of June 30, 2019, the District had a remaining commitment of \$7,777,777 towards construction. These commitments are not a liability of the District's until services or goods have been rendered. The expected date of completion is December 2019.

8. WORKERS COMPENSATION FUND

The District is exposed to various risks of loss related to tort, errors and omissions, and injuries to employees. During the year ended June 30, 2019, the District operated the Workers' Compensation Fund (Internal Service Fund) to account for and finance its risk of loss. Under the program, the Internal Service Fund provides coverage for up to a maximum of \$500,000 for each workers' compensation claim under a Retrospective Rating Plan and subject to a Retrospective Rating Maximum premium.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. The claim liability of \$1,337,061 reported in the Fund as of June 30, 2019 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

9. JOINT POWERS AGREEMENTS

The District participates in a joint venture under a joint powers agreement (JPA) with San Mateo County Schools Insurance Group (SMCSIG) for property and liability, workers' compensation and medical/dental. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influences by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The following is a summary of the SMCSIG JPA's most recent financial statement information:

	SMCSIG
	<u>June 30, 2018</u>
Total Assets & Deferred Outflows	\$ 25,857,722
Total Liabilities & Deferred Inflows	10,504,013
Total Equity	15,353,709
Total Revenues	45,214,456
Total Expenditures	42,672,851

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

10. CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

For the year ended June 30, 2019, the District's contributions were as follows:

	<u>CalPERS</u>
Employer Contributions	\$ 1,265,442
State Contributions	<u>632,981</u>
Total	<u><u>\$ 1,898,423</u></u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability/(Asset)</u>
District	<u><u>\$ 18,669,536</u></u>

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

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<u>CalPERS</u>
Proportion - June 30, 2018	0.08239%
Proportion - June 30, 2019	<u>0.07002%</u>
Change - Increase/(Decrease)	<u><u>-0.01237%</u></u>

For the year ended June 30, 2019, the District recognized pension expense of \$3,472,836 for the Plan.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,864,071	\$ -
Differences between Expected and Actual Experience	1,223,906	-
Differences between Projected and Actual Investment Earnings	153,132	-
Differences between Employer's Contributions and Proportionate Share of Contributions	1,896	7,667
Change in Employer's Proportion	165,044	1,761,393
Pension Contributions Made Subsequent to Measurement Date	1,265,442	-
Total	\$ 4,673,491	\$ 1,769,060

The District reported \$1,265,442 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources CalPERS
2020	\$ 1,480,985
2021	878,408
2022	(610,208)
2023	(110,196)
Total	\$ 1,638,989

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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 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 geometric rates of return are net of administrative expenses.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments; Inflation Assets are
included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

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 the Plan, calculated using the discount rate for the 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>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 27,181,952
Current	7.15%
Net Pension Liability	\$ 18,669,536
1% Increase	8.15%
Net Pension Liability	\$ 11,607,269

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

11. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2019, the District contributions were as follows:

	CalSTRS
Employer Contributions	\$ 2,083,213
State Contributions	2,499,649
Total	\$ 4,582,862

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	\$ 27,572,100
State	15,786,406
Total	\$ 43,358,506

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional \$1,052,595 as required by SB90. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	CalSTRS
Proportion - June 30, 2018	0.03400%
Proportion - June 30, 2019	0.03000%
Change - Increase/(Decrease)	-0.00400%

For the year ended June 30, 2019, the District recognized pension expense of \$2,478,237 for the Plan. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 4,283,400	\$ -
Differences between Expected and Actual Experience	85,500	400,500
Differences between Projected and Actual Investment Earnings	-	1,061,700
Differences between Employer's Contributions and Proportionate Share of Contributions	97,532	-
Change in Employer's Proportion	422,503	4,894,857
Pension Contributions Made Subsequent to Measurement Date	2,083,213	-
Total	\$ 6,972,148	\$ 6,357,057

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The District reported \$2,083,213 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
Ending June 30:	CalSTRS
2020	\$ 230,037
2021	(167,763)
2022	(891,363)
2023	(186,283)
2024	(7,480)
Thereafter	(445,269)
Total	\$ (1,468,121)

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually)
Maintain 85% purchasing power level for DB
Not applicable for DBS/CBB
- (2) Net of investment expense but gross of administrative expenses.
- (3) Based on 110% of the MP-2016 Ultimate Projection
Scale table issued by the Society of Actuaries.

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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	Assumed Asset Allocation	Long-Term Expected Rate of Return ⁽¹⁾
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
Total	100.00%	

⁽¹⁾ 20 year average

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 the Plan, calculated using the discount rate for the 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:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	\$ 40,389,900
Current	7.10%
Net Pension Liability	\$ 27,572,100
1% Increase	8.10%
Net Pension Liability	\$ 16,944,900

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District.

Benefits - The following is a summary of the plan benefits provided:

	<u>Certificated</u>	<u>Classified</u>
Benefits Provided:	Medical only	Medical only
Duration of Benefits:	5 years but not beyond age 65	5 years but not beyond age 65
Required Services:	10 years	10 years
Minimum Age:	Age 55	Retirement age
Dependent Coverage:	None	None
Contribution Percentage:	100% to cap at retirement	100% to cap at retirement
Cap:	Current: \$8,838.90 per year	Current: \$8,838.90 per year

Note:

Nontrusted plans must disclosure that no assets have been accumulated in the trust

Employees Covered by Benefit Terms - At June 30, 2018 (the valuation date), the benefit terms covered the following employees:

Active employees	335
Inactive employees	<u>59</u>
Total employees	<u><u>394</u></u>

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were \$302,293. The actuarially determined contribution for the measurement period was \$1,032,639. The District's contributions were 0.01% of covered employee payroll during the measurement period June 30, 2019 (reporting period June 30, 2019). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	33 years
Actuarial Assumptions:	
Discount Rate	3.80%
Inflation	2.75%
Payroll Increases	2.75%
Municipal Bond Rate	3.80%
Medical Trend Increases	4.00%
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2009 CalPERS Mortality for Active Miscellaneous Employees
Retirement	Certificated: 2009 CalSTRS Retirement Rates Classified: Hired <1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired >12/31/2012: 2009 CalPERS Retirement Rates for Misc Employees 2% @60 adjusted to minimum retirement age 52
Service Requirement	Certificated: 100% at 10 Years of Service Classified: 100% at 5 Years of Service

Discount Rate - The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018	\$ 7,012,363	\$ -	\$ 7,012,363
Service cost	652,129	-	652,129
Interest in Total OPEB Liability	248,000	-	248,000
Benefit payments	(302,293)	-	(302,293)
Net changes	597,836	-	597,836
Balance at June 30, 2019	\$ 7,610,199	\$ -	\$ 7,610,199
Covered Employee Payroll	\$ 29,828,922		
Total OPEB Liability as a % of Covered Employee Payroll	25.51%		
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%		
Service Cost as a % of Covered Employee Payroll	2.19%		
Net OPEB Liability as a % of Covered Employee Payroll	25.51%		

Ravenswood City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Service cost	\$ 652,129
Interest in TOL	248,000
OPEB Expense	<u>\$ 900,129</u>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Total OPEB liability ending	\$ 7,610,199
Total OPEB liability beginning	(7,012,363)
Change in total OPEB liability	597,836
Employer contributions and implicit subsidy	302,293
OPEB Expense	<u>\$ 900,129</u>

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	3.80%	(1% Increase)
Total OPEB Liability	\$ 8,778,876	\$ 7,610,199	\$ 6,677,435

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	4.00%	(1% Increase)
Total OPEB Liability	\$ 6,778,732	\$ 7,610,199	\$ 8,785,644

Page Intentionally Left Blank

REQUIRED
SUPPLEMENTARY
INFORMATION

Ravenswood City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	\$ 29,676,076	\$ 29,900,256	\$ 29,872,981	\$ (27,275)
Federal revenues	2,555,287	2,712,353	2,523,692	(188,661)
Other state	3,213,800	4,212,014	5,881,565	1,669,551
Other local	6,696,331	6,808,166	7,312,215	504,049
Total revenues	42,141,494	43,632,789	45,590,453	1,957,664
Expenditures:				
Certificated salaries	15,862,776	13,893,876	13,662,478	231,398
Classified salaries	7,402,947	7,236,092	6,966,972	269,120
Employee benefits	10,531,991	9,690,734	10,949,691	(1,258,957)
Books and supplies	1,426,948	2,198,473	1,402,675	795,798
Services and other operating expenditures	7,546,650	9,849,827	8,161,079	1,688,748
Capital outlay	-	525,045	67,783	457,262
Other outgo	653,150	643,750	823,400	(179,650)
Debt service:				
Principal	39,600	39,600	10,063	29,537
Interest and fees	286	286	262	24
Total expenditures	43,464,348	44,077,683	42,044,403	2,033,280
Excess (deficiency) of revenues over (under) expenditures	(1,322,854)	(444,894)	3,546,050	3,990,944
Other financing sources (uses):				
Transfers in	300,000	300,000	300,000	-
Transfers out	-	(58,500)	(391)	58,109
Total other financing sources (uses)	300,000	241,500	299,609	58,109
Change in fund balance	(1,022,854)	(203,394)	3,845,659	4,049,053
Fund balance beginning	5,670,440	5,670,440	5,670,440	-
Fund balance ending	\$ 4,647,586	\$ 5,467,046	\$ 9,516,099	\$ 4,049,053

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. Employee benefits exceeded budget as noted above because of unanticipated onbehalf payments for STRS and PERS from the state, which is offset by revenue.

Ravenswood City School District
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2019

CalPERS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,022,629	\$ 1,163,001	\$ 1,459,145	\$ 1,452,525	\$ 1,265,442
Contributions in Relation to Contractually Required Contributions	1,022,629	1,163,001	1,459,145	1,452,525	1,265,442
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,687,699	\$ 9,816,840	\$ 10,506,516	\$ 9,352,424	\$ 7,006,101
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Notes to Schedule:

Valuation Date: June 30, 2017
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

CalSTRS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,570,419	\$ 2,036,079	\$ 2,267,620	\$ 2,374,918	\$ 2,083,213
Contributions in Relation to Contractually Required Contributions	1,570,419	2,036,079	2,267,620	2,374,918	2,083,213
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 17,684,899	\$ 18,975,573	\$ 18,025,596	\$ 16,458,198	\$ 12,796,149
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%

Notes to Schedule:

Valuation Date: June 30, 2017
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District's required and actual contributions to CalPERS / CalSTRS during the year.

Ravenswood City School District
Schedule of Proportion Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2019

CalPERS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.06920%	0.07850%	0.08180%	0.08239%	0.07002%
District's Proportionate Share of Net Pension Liability	\$ 7,855,885	\$ 11,570,977	\$ 16,155,550	\$ 19,668,668	\$ 18,669,536
District's Covered Payroll	\$ 7,264,368	\$ 8,687,699	\$ 9,816,840	\$ 10,506,516	\$ 9,352,424
District's Proportionate Share of NPL as a % of Covered Payroll	108.14%	133.19%	164.57%	187.20%	199.62%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%
CalSTRS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.03672%	0.03700%	0.03800%	0.03400%	0.03000%
District's Proportionate Share of Net Pension Liability	\$ 21,458,079	\$ 24,909,880	\$ 30,734,780	\$ 31,442,860	\$ 27,572,100
State's Proportionate Share of Net Pension Liability Associated with the District	12,957,246	13,174,586	17,496,696	18,601,282	15,786,406
Total	<u>\$ 34,415,325</u>	<u>\$ 38,084,466</u>	<u>\$ 48,231,476</u>	<u>\$ 50,044,142</u>	<u>\$ 43,358,506</u>
District's Covered Payroll	\$ 16,355,200	\$ 17,684,899	\$ 18,975,573	\$ 18,025,596	\$ 16,458,198
District's Proportionate Share of NPL as a % of Covered Payroll	131.20%	140.85%	161.97%	174.43%	167.53%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of CalPERS / CalSTRS in compliance with GASB 68.

Ravenswood City School District
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30, 2019

Fiscal Year Ended	2018	2019
Total OPEB liability		
Service cost	\$ 652,129	\$ 652,129
Interest	248,000	248,000
Benefit payments	(193,965)	(302,293)
Net change in Total OPEB Liability	706,164	597,836
Total OPEB Liability - beginning	6,306,199	7,012,363
Total OPEB Liability - ending	<u>\$ 7,012,363</u>	<u>\$ 7,610,199</u>
Plan fiduciary net position		
Net change in plan fiduciary net position	\$ -	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	\$ 7,012,363	7,610,199
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered Employee Payroll	\$ 29,030,581	\$ 29,828,922
Net OPEB liability as a percentage of covered employee payroll	24.16%	25.51%
Total OPEB liability as a percentage of covered employee payroll	24.16%	25.51%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

Page Intentionally Left Blank

SUPPLEMENTARY
INFORMATION

Page Intentionally Left Blank

***Nonmajor Governmental Funds
Combining Schedules***

Ravenswood City School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds		Capital Projects Fund	
	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 9,127	\$ 198,347	\$ 5,194,727	\$ 5,402,201
Accounts receivable	55	383,646	38,543	422,244
Due from other funds	391	-	281,233	281,624
Total Assets	<u>\$ 9,573</u>	<u>\$ 581,993</u>	<u>\$ 5,514,503</u>	<u>\$ 6,106,069</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 17	\$ 23,268	\$ -	\$ 23,285
Due to other funds	-	3,354	300,000	303,354
Total Liabilities	<u>17</u>	<u>26,622</u>	<u>300,000</u>	<u>326,639</u>
Fund Balances:				
Restricted for cafeteria programs	-	552,332	-	552,332
Restricted for capital projects	-	-	299,985	299,985
Assigned for capital projects	-	-	4,914,518	4,914,518
Assigned for cafeteria programs	-	3,039	-	3,039
Assigned for child development	9,556	-	-	9,556
Total Fund Balance	<u>9,556</u>	<u>555,371</u>	<u>5,214,503</u>	<u>5,779,430</u>
Total Liabilities and Fund Balances	<u>\$ 9,573</u>	<u>\$ 581,993</u>	<u>\$ 5,514,503</u>	<u>\$ 6,106,069</u>

Ravenswood City School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds		Capital Projects Fund	
	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues:				
Federal revenue	\$ -	\$ 2,264,992	\$ -	\$ 2,264,992
Other state	22	199,542	-	199,564
Other local	138	21,312	481,009	502,459
Total revenues	160	2,485,846	481,009	2,967,015
Expenditures:				
Current				
Instruction	407	-	-	407
Instruction-related services:				
School site administration	7	-	-	7
Pupil services:				
Food services	-	2,275,649	-	2,275,649
General administration:				
All other general administration	-	3,354	-	3,354
Plant services	-	27,445	150,112	177,557
Total expenditures	414	2,306,448	150,112	2,456,974
Excess (deficiency) of revenues over (under) expenditures	(254)	179,398	330,897	510,041
Other financing sources (uses):				
Transfers in	391	-	-	391
Transfers out	-	-	(300,000)	(300,000)
Total other financing sources (uses)	391	-	(300,000)	(299,609)
Change in fund balance	137	179,398	30,897	210,432
Fund balance beginning	9,419	375,973	5,183,606	5,568,998
Fund balance ending	\$ 9,556	\$ 555,371	\$ 5,214,503	\$ 5,779,430

Page Intentionally Left Blank

STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

Ravenswood City School District

Organization (Unaudited)

June 30, 2019

The Ravenswood City School District was established in 1892 and is located in San Mateo County. There were no changes in the boundaries of the District during the current fiscal year. The District operated five elementary and one middle school during the fiscal year ended June 30, 2019 for kindergarten through eighth grade.

The Board of Trustees for the fiscal year ended June 30, 2019, was comprised of the following members:

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tamara Sobomehin	President	2022
Stephanie Fitch	Vice President	2022
Marielena Gaona-Mendoza	Clerk	2020
Ana Maria Pulido	Member	2022
Sharifa Wilson	Member	2020

Administration

Gina Sudaria
Interim Superintendent

Steven J. Eichman
Chief Business Official

Ravenswood City School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	911.21	911.22
Grades four through six	784.02	781.93
Grades seven and eight	544.12	540.56
Regular ADA Total	<u>2,239.35</u>	<u>2,233.71</u>
Special education - nonpublic, nonsect schools:		
Grades TK/K through three	0.92	0.91
Grades four through six	1.57	1.53
Grades seven and eight	5.89	5.74
Extended year special education - nonpublic, nonsect schools:		
Grades TK/K through three	0.12	0.12
Grades four through six	0.14	0.14
Grades seven and eight	<u>0.35</u>	<u>0.35</u>
ADA Totals	<u><u>2,248.34</u></u>	<u><u>2,242.50</u></u>

Ravenswood City School District
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Minutes Requirements	2018-19 Actual Minutes	(Unaudited)	Actual	(Unaudited)	Number of Days Multitrack Calendar	Status
			2018-19 Original Scheduled Minutes	Number of Days Traditional Calendar	Scheduled Number of Days Traditional Calendar		
Kindergarten	36,000	50,550	50,860	179	180	0	In compliance ⁽¹⁾
Grade 1	50,400	53,290	53,610	179	180	0	In compliance ⁽¹⁾
Grade 2	50,400	53,940	54,270	179	180	0	In compliance ⁽¹⁾
Grade 3	50,400	53,615	53,940	179	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,940	54,270	179	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,940	54,270	179	180	0	In compliance ⁽¹⁾
Grade 6	54,000	54,330	55,690	179	180	0	In compliance ⁽¹⁾
Grade 7	54,000	54,330	55,204	179	180	0	In compliance ⁽¹⁾
Grade 8	54,000	55,025	55,204	179	180	0	In compliance ⁽¹⁾

(1) The District has an approved Form J-13A, Request for Allowance of Attendance Due to Emergency Conditions, for school closure due to California wild fires. Pursuant to Education Code section 41422, 46200, 46391, 46392 and the California Code of Regulations the approved Form J-13A combined with attendance records were used to document compliance with instructional time laws.

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has met or exceeded its target funding.

Ravenswood City School District
Schedule of Charter Schools (Unaudited)
June 30, 2019

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

<u>Charter School</u>	<u>Charter School Number</u>	<u>Included in Financial Statements</u>
Kipp Valiant Community Prep	1868	Not included
Aspire East Palo Alto Charter	125	Not included

Ravenswood City School District
Schedule of Financial Trends and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

	(Budget ¹) 2020	2019	2018	2017
<u>General Fund</u>				
Revenues and other financial sources	\$ 39,904,962	\$ 45,890,453	\$ 48,276,055	\$ 47,852,836
Expenditures	38,997,316	42,044,403	46,865,958	48,653,619
Other uses and transfers (out)	155,000	391	138,405	301,000
Total outgo	39,152,316	42,044,794	47,004,363	48,954,619
Change in fund balance	\$ 752,646	\$ 3,845,659	\$ 1,271,692	\$ (1,101,783)
Ending fund balance	\$ 10,268,745	\$ 9,516,099	\$ 5,670,440	\$ 4,398,748
Available reserves ⁽²⁾	\$ 1,171,919	\$ 1,286,077	\$ 1,410,131	\$ 1,468,639
Reserve for economic uncertainties	\$ 1,171,919	\$ 1,261,332	\$ 1,410,131	\$ 1,468,639
Unassigned fund balance	\$ -	\$ 24,745	\$ -	\$ -
Available reserves as a percentage of total outgo	3.0%	3.1%	3.0%	3.0%
Total long-term debt	\$ 108,203,839	\$ 111,788,839	\$ 90,548,751	\$ 77,884,430
Average daily attendance (ADA) at P-2	2,272	2,248	2,528	2,911

ADA has decreased by 663 over the past three years. The district anticipates ADA to decrease by 24.

The general fund balance has increased by \$5,117,351 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo). The fiscal year 2019-20 budget projects a \$752,646 increase in fund balance.

The district has had an operating deficit in two of the past three years. Total long-term debt has increased by \$33,904,409 over the past three years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2019/20, which is unaudited.

² Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

Ravenswood City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Non-cash Expenditures	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through California Department of Education:				
<i>Child Nutrition Cluster</i>				
Child Nutrition: School Programs (School Breakfast Needy)	10.553	13526	⁽¹⁾ \$ -	\$ 684,021
Child Nutrition: School Programs (NSL Sec 11)	10.555	13396	⁽¹⁾ -	1,141,691
Child Nutrition: CCFP Cash in Lieu of Commodities	10.555	13389	⁽¹⁾ 96,653	96,653
<i>Total Child Nutrition Cluster</i>			<u>96,653</u>	<u>1,922,365</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	-	77,279
Child Nutrition: Child and Adult Care Food Program (Cash Advance)	10.558	13666	-	250,111
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>96,653</u>	<u>2,249,755</u>
U. S. DEPARTMENT OF EDUCATION:				
Passed through California Department of Education:				
<i>Special Education Cluster</i>				
Sp Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	⁽¹⁾ -	677,980
Sp Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	⁽¹⁾ -	40,145
Sp Ed: IDEA Preschool Local Entitlement, Part B, Sect 611 (AGE 3-4-5)	84.027A	13682	⁽¹⁾ -	125,040
Sp Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	⁽¹⁾ -	554
<i>Total Special Education Cluster</i>			<u>-</u>	<u>843,719</u>
<i>Title III</i>				
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	-	218,453
ESSA: Title III, Immigrant Student Program	84.365	15146	-	24,539
<i>Total Title III</i>			<u>-</u>	<u>242,992</u>
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	-	1,197,475
ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	-	153,899
ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	-	72,662
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>-</u>	<u>2,510,747</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Education:				
Medi-Cal Billing Option	93.778	10013	-	1,626
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>-</u>	<u>1,626</u>
U. S. DEPARTMENT OF INTERIOR				
Passed through County of San Mateo:				
Wildlife Refuge Tax	15.659	N/A	-	12,531
TOTAL U. S. DEPARTMENT OF THE INTERIOR			<u>-</u>	<u>12,531</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 96,653</u>	<u>\$ 4,774,659</u>

⁽¹⁾ Audited as major program
There were no pass throughs to subrecipients during the year

Ravenswood City School District
Reconciliation of Annual Financial and Budget Report (SACS)
With Audited Financial Statements
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds
June 30, 2019 Annual Financial and Budget Report Fund Balances	\$ 9,282,421	\$ 33,806,846	\$ 6,825,176	\$ 6,013,108
Adjustments and Reclassifications:				
To conform with GASB 54, activities included in certain special revenue funds have been reported in the General Fund in the audited financial statements	<u>233,678</u>	<u>-</u>	<u>-</u>	<u>(233,678)</u>
June 30, 2019 Audited Financial Statements Fund Balances	<u><u>\$ 9,516,099</u></u>	<u><u>\$ 33,806,846</u></u>	<u><u>\$ 6,825,176</u></u>	<u><u>\$ 5,779,430</u></u>

Ravenswood City School District
Notes to State and Federal Award Compliance Section
For the Fiscal Year Ended June 30, 2019

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46207.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. 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.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal Awards.

Ravenswood City School District
Notes to State and Federal Award Compliance Section
For the Fiscal Year Ended June 30, 2019

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT
AUDITOR'S REPORTS



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

Board of Trustees
Ravenswood City School District
East Palo Alto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenswood City School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The 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.

C & A LLP

January 27, 2020
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

Board of Trustees
Ravenswood City School District
East Palo Alto, California

Report on Compliance for Each Major Federal Program

We have audited Ravenswood City School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

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 an item that we consider to be a significant deficiency: see finding 2019-001. Our opinion on each major federal program is not modified with respect to this matter.



Report on Internal Control over Compliance

Management of the 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 the 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 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as an item that we consider to be a significant deficiency: see finding 2019-001.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

January 27, 2020
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Trustees
Ravenswood City School District
East Palo Alto, California

Compliance

We have audited the Ravenswood City School District's (the District) compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2019.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the compliance 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:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

<u>Description</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
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	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes-Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Full-time Independent Study program because the ADA was under the level that requires testing.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2018-19 Guide for*



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, and which are described in the accompanying schedule of findings and questioned costs as finding 2019-002.

District's Response to Findings

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

C & A LLP

January 27, 2020
San Jose, California

FINDINGS AND RECOMMENDATIONS

Ravenswood City School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses? Yes x No

Significant deficiencies identified not
considered to be material weaknesses? Yes x None Reported

Non-compliance material to financial statements noted? Yes x No

Federal Awards

The District did not spend or incur expenditures of \$750,000 or more in federal awards.

Internal control over major programs:

Material weaknesses? Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes None Reported

Type of auditor's report issued on compliance over major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? x Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.553 & 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.027A, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? Yes x No

State Awards

Internal control over state programs:

Material weaknesses? Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes None Reported

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

Ravenswood City School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

Finding 2019-001; 50000 - Claims for Reimbursement - Significant Deficiency

Federal Program Information: 10.553 and 10.555 Child Nutrition Cluster

Federal Grantor Agency: Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA)

Pass-Through Grantor Agency: California Department of Education

Criteria or Specific Requirements: Related to the breakfast program, pursuant to Title 7 of the CFR section 220.11(d), the school food authority (the District) shall establish internal controls which ensure the accuracy of breakfast counts prior to submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the breakfast counting and claiming system employed by each school within the jurisdiction of the school food authority; comparison of daily free, reduced price and paid breakfast counts against data which will assist in the identification of breakfast counts in excess of the number of free, reduced price and paid breakfasts served each day to children eligible for such breakfasts; and a system for following up on those breakfast counts which suggest the likelihood of breakfast counting problems. Related to the lunch program, pursuant to 7 CFR section 210.7(c)(1)(B), the District should ensure that Claims for Reimbursement do not request payment for any excess lunches produced or non-Program lunches or for more than one meal supplement per child per day.

Condition: In review of the supporting documentation for the Claims for Reimbursement, we noted the District's counts included students counted more than once for breakfast and/or lunch. Based on reports ran from the point of sale system for students that received more than one breakfast or one lunch, we noted 3,196 duplicated student breakfasts and 72 duplicated student lunches claimed for reimbursement during the year.

Effect: The District claimed more meals than eligible on Claim for Reimbursements throughout the year.

Cause: The District did not fully implement its own internal controls over manual meal counts for breakfasts and visiting student lunch meals. Breakfasts are served in each classroom. Depending on the grade level, the teacher or a designated student was in charge of ensuring only students served breakfast were marked on class roster lists. A comparison of total breakfast meals received compared to remaining breakfast meals and counted students tied. Only one meal per student served was to be counted for reimbursement. Students served lunch meals while visiting another school site, should only be counted by the site that actually served the student meal. The District did not utilize the point of sale software's automatic rejection of duplicate meals.

Questioned Costs: The District received federal funding of \$3,312 and \$2,495 for breakfast and lunch, respectively, for the duplicated counts based on the student eligibility and the federal reimbursement rate.

Ravenswood City School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Recommendation: We recommend the District utilize the point of sale software's automatic rejection of duplicate meals. The District remind all staff and ensure internal control policies and procedures are being followed to ensure only one meal for breakfast per child is counted on roster lists and verifying the meals received back in the kitchen match the number of students listed for breakfast per classroom. Students lunch meals should only be counted at a site if a student is on-site and takes a meal.

Corrective Action Plan: The District agrees with the auditor's recommendation and will assign staff to implement procedures required to remediate the causes of the conditions noted.

Section IV - State Award Findings and Questioned Costs

Finding 2019-002; 40000 – Ratio of Administration Employees to Teachers

Criteria or Specific Requirements: School districts must comply with the administrative employee-to-teacher ratio requirements identified in Education Code section 41401 and the procedures of Education Code section 41403.

The state audit guide notes the following: "If the number of administrative employees per hundred teachers exceeded the allowable ratio set forth in Education Code section 41402, state in a finding the number of excess administrative employees and the associated penalty, as set forth in Education Code section 41404."

Condition: During our testing of the District's "Ratio of Administrative Employees to Teachers", we discovered the District was over the ratio allowed by Education Code Section 41402 by 1.73 FTE, which is rounded to 2 administrator FTE for a total penalty of \$18,409.

Questioned Costs: The District will incur a penalty of \$18,409.

Context: The District did not comply with the administrative employee-to-teacher ratio requirements identified in Education Code section 41401 and the procedures of Education Code section 41403.

Effect: The District will incur a penalty of \$18,409 which will be repaid in the fiscal year ending 2019/20.

Cause: The District did not monitor the admin to teacher ration early enough in the school year to make corrections and avoid the penalty. Its also appears that the District may have had specific needs and circumstances at school sites that made the penalty inevitable.

Recommendation: We recommend that the District complete the employee ratio worksheet at the beginning of each fiscal year and routinely update the worksheet throughout each fiscal year to avoid future penalties.

Corrective Action Plan: The District agrees with the findings and recommendation. The District will complete the employee ratio worksheet at the beginning of each fiscal year and routinely update the worksheet throughout each fiscal year to avoid future penalties.

Ravenswood City School District
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding 2018-001: Human Resources and Payroll Controls (30000)

Criteria: Internal controls are essential to the effective operation of local governments and school districts. Internal controls are activities or procedures designed to provide reasonable assurance that operations are “going according to plan.” Without adequate internal controls, management has little assurance that its goals and objectives will be achieved. Properly designed and functioning controls reduce the likelihood that significant errors or fraud will occur and remain undetected.

Condition: During our documentation and testing of the District’s human resources and payroll related internal controls, we identified the following exceptions:

- 5 of 40 employees tested had incomplete I-9’s
- 9 of 40 employees tested W-4 forms did not match actual payroll deductions
- 1 of 40 employees was overpaid by \$3,354 for the year
- 4 of 40 employees did not have documented up to date Tuberculosis Risk Assessment/testing

Effect: The District’s personnel records were incomplete, which could lead to material misstatements in the financial statements, incorrect payments to employees, and fines from state and federal agencies.

Cause: The District has policies and procedures in place and provides training through the SMCOE to key staff. During the 2017-18 fiscal year there was a reduction in payroll personnel and during the transition responsibilities were reassigned. In addition, to the reduction in personnel, these errors could be the result of a lack of segregation of duties.

Recommendation: We recommend the District develop a written manual to document the current policies and procedures and continue to provide training to key staff. In addition, the District should continue to ensure that appropriate oversight and accountability is provided and records are reviewed and approved by a person with knowledge of the human resources and/or payroll process.

Corrective Action Plan: The District recognized these issues and took action to reassign key staff during the 2017-18 fiscal year to assure closer monitoring and implementation of established policies and practices to assure this is not a recurring issue for the 2018/2019 and subsequent school years. In addition, the District will continue to train and hold accountable key HR and Payroll staff and verify that there is sufficient segregation of duties.

Status: Implemented.

Finding 2018-002: Journal Entry Support (30000)

Criteria: In order to facilitate proper and efficient review of journal entries by someone other than the person preparing the journal entry, the journal entry should include all supporting documentation needed for review. The documentation should be kept with the journal entry for future reference and review.

Condition: The District did not have the supporting documentation immediately available for journal entries posted to categorize allowable expenditures from unrestricted to restricted resources.

Ravenswood City School District
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

Effect: The District had to spend a substantial amount of time locating proper support for journal entries sampled during our audit. If the support is not readily available and filed with the journal entry, it increases the risk that a state or federal agency will disallow the costs included in the journal entry. There were no questioned costs associated with this deficiency based on the procedures we performed.

Cause: The District recorded journal entries to categorize allowable expenditures from unrestricted resources to restricted resources. It appeared the District was short staffed when the entries were posted, causing time constraints. Thus, support that had been reviewed electronically when the entries were posted was not filed with the journal entries and not immediately available during the audit. District staff was able to provide the support once they had time to locate the files.

Recommendation: We recommend the District maintain all relevant support with journal entries to facilitate review and ensure timeliness when journal entries are requested for examination. This will reduce the risk that expenditures will be deemed unallowable by granting agencies.

Corrective Action Plan: The District agrees with the auditor's recommendation and will assign the District Accounting Manager to maintain all relevant support documentation with journal entries during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Implemented.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None