

**RAVENDALE-TERMO SCHOOL DISTRICT
COUNTY OF LASSEN
RAVENDALE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

Introductory Section

Ravendale-Termo School District
Audit Report
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	Page	Exhibit/Table
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	Exhibit A-1
Statement of Activities.....	11	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	13	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	16	Exhibit A-7
Notes to the Financial Statements	17	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	34	Exhibit B-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers Retirement System.....	35	
Schedule of District's Contributions - California State Teachers Retirement System.....	36	
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees Retirement System.....	37	
Schedule of District's Contributions - California Public Employees Retirement System...	38	
<u>Budgetary Comparison Schedules as Supplementary Information:</u>		
Special Revenue Funds:		
Budgetary Comparison Schedules:		
Charter School Fund.....	39	Exhibit C-1
Cafeteria Fund.....	40	Exhibit C-2
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Facilities Fund.....	41	Exhibit C-3

Ravendale-Termo School District
Audit Report
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	Page	Exhibit/Table
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	42	
Schedule of Average Daily Attendance.....	43	Table D-1
Schedule of Instructional Time.....	44	Table D-2
Schedule of Financial Trends and Analysis.....	45	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	46	Table D-4
Schedule of Charter Schools.....	47	Table D-5
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>	48	
Independent Auditor's Report on State Compliance.....	50	
Schedule of Findings and Questioned Costs	53	
Summary Schedule of Prior Audit Findings.....	56	
Corrective Action Plan.....	57	

Financial Section

Independent Auditor's Report

To the Board of Trustees
Ravendale-Termo School District
Ravendale, California 96123

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 Ravendale-Termo 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

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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ravendale-Termo School 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, identified as Required Supplementary Information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ravendale-Termo School District's basic financial statements. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of Ravendale-Termo School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Ravendale-Termo School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'SingletonAuman PC', with a stylized flourish at the end.

Susanville, CA
December 3, 2019

RAVENDALE-TERMO SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

June 30, 2019

INTRODUCTION

Our discussion and analysis of Ravendale-Termo School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$1,625,263 at June 30, 2019. This was a decrease of \$42,460 from the prior year.
- ❑ Overall revenues were \$357,022, which was less than expenses of \$399,481 by \$42,459.
- ❑ The general fund reported a fund balance this year of \$808,583; an increase of \$36,590 from the prior year.
- ❑ The total costs of the District's programs increase by \$242,299 over last year due to prior year significant fluctuations resulting from journal entries required by GASB 68 adjustments for net pension liability.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district's budget for the year is included.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the assets and liabilities, are one way to measure the District's financial health or position.

- ❑ Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include governmental activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has one kind of fund:

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$1,625,263 at June 30, 2019. See Table 1.

The significant changes in Table 1 line items for fiscal 2019 vs. 2018 are:

- Deferred Outflows and Inflows fluctuated greatly as a result of the districts' prior year proportionate share of statewide net pension liability increasing by only .0001%, but was reported in accordance with GASB 68 requirements.

**Table 1:
Net Position**

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Assets			
Cash in County Treasury	\$ 857,545	\$ 827,885	3.58%
Cash in Revolving Fund	50	50	0.00%
Accounts Receivable	54,216	66,411	-18.36%
Capital Assets, Net of Accumulated Depreciation	931,041	938,581	-0.80%
TOTAL ASSETS	<u>1,842,852</u>	<u>1,832,927</u>	
Deferred Outflow of Resources			
Deferred Pension Expenses	39,912	120,348	-66.84%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>39,912</u>	<u>120,348</u>	
Liabilities			
Accounts Payable	37,100	59,083	-37.21%
Unearned Revenue	17,956	17,514	2.52%
Net Pension Liability	123,041	137,476	-10.50%
TOTAL LIABILITIES	<u>178,097</u>	<u>214,073</u>	
Deferred Inflows of Resources			
Deferred Pension Revenues	79,404	71,479	11.09%
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>79,404</u>	<u>71,479</u>	
Net Position			
Net Investment in Capital Assets	931,041	938,581	-0.80%
Restricted for Federal and State Programs	4,377	53,369	-91.80%
Other Purposes	6,975	-	100.00%
Unrestricted	682,870	675,773	1.05%
TOTAL NET POSITION	<u>\$ 1,625,263</u>	<u>\$ 1,667,723</u>	

Changes in Net Position

The District's total revenues were \$357,022. The largest amount of the revenue comes from the Local Control Funding Formula (75.4%). Local Revenues accounted for another 17.6% of total revenues. Revenues increased \$45,439 from last year due to increases in LCFF revenue.

The total cost of all programs and services was \$399,481. The District's expenses are predominately related to educating and caring for students. The remaining expenses were for pupil services, plant services (maintenance and operations), and general administration. Total expenses increased by \$242,299 from the prior year, with higher instruction expenses due to the skewing of prior year instruction expenses after the effects of posting the required GASB 68 net pension liability adjustments.

Table 2:
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Revenues			
Program Revenues:			
Operating Grants & Contributions	\$ 25,133	\$ 14,571	72.49%
General Revenues			
Local Control Funding Formula	269,358	236,826	13.74%
Federal Revenues	1,932	2,223	-13.09%
State Revenues	(2,388)	1,163	-305.33%
Local Revenues	62,987	56,800	10.89%
TOTAL REVENUES	357,022	311,583	
Program Expenses			
Instruction	171,684	(48,804)	-451.78%
Instruction-Related Services	22,182	16,446	34.88%
Pupil Services	75,311	37,468	101.00%
General Administration	71,558	69,179	3.44%
Plant Services	56,653	82,893	-31.66%
Other Outgo	2,093	-	100.00%
TOTAL EXPENSES	399,481	157,182	
INCREASE IN NET POSITION	\$ (42,459)	\$ 154,401	

Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The cost of all governmental activities this year was \$399,481

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 171,684	\$ (48,804)	\$ 162,980	\$ (54,402)
Instruction-Related Service	22,182	16,446	20,191	15,565
Pupil Services	75,311	37,468	69,139	35,661
General Administration	71,558	69,179	65,137	65,467
Plant Services	56,653	82,893	54,808	80,320
Other Outgo	2,093	-	2,093	-
TOTAL	\$ 399,481	\$ 157,182	\$ 374,348	\$ 142,611

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$856,755 which is above last year's ending fund balance of \$817,748. The District is carefully monitoring its expenditures in order to avoid deficit spending and using its remaining reserves.

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final budget was approved on March 20, 2019. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$931,041 in a broad range of capital assets. During the year, the District purchased a 2017 Ford Expedition. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities		Total Percentage
	2019	2018	Change 2019-2018
Land	\$ 8,000	\$ 8,000	0.00%
Buildings	1,650,538	1,650,538	0.00%
Improvements	140,185	140,185	0.00%
Machinery & Equipment	228,913	195,499	17.09%
Totals at Historical Cost	\$ 2,027,636	\$ 1,994,222	
Total Accumulated Depreciation	(1,096,595)	(1,055,641)	3.88%
NET CAPITAL ASSETS	\$ 931,041	\$ 938,581	

The District does not anticipate any capital spending for the 2019-20 fiscal year.

Pension Liabilities

Table 5
Net Pension Liability

	Proportionate Share of Net Pension Liability		Total Percentage
	2019	2018	Change 2019-2018
CalSTRS	\$ 87,313	\$ 103,578	-15.70%
CalPERS	35,728	33,898	5.40%
TOTAL NET PENSION LIABILITY	\$ 123,041	\$ 137,476	-10.50%

Other Long-Term Debt

The District had no other long-term debt at June 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ❑ The uncertainty of federal and state funding can have a profound impact on the financial health of the District. Although some changes are currently anticipated, the federal and the state governments could implement additional budget cuts.
- ❑ The District is receiving less funding from Federal and State Governments.
- ❑ The inevitable increases in pension contributions which will be needed to pay the unfunded net Pension Liability will require careful planning and budgeting.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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 questions about this report, or need additional financial information, contact:

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Ravendale-Termo School District
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Basic Financial Statements

RAVENDALE-TERMO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS:	
<i>Cash in County Treasury</i>	\$ 857,545
<i>Cash in Revolving Fund</i>	50
<i>Accounts Receivable</i>	54,216
Capital Assets:	
<i>Land</i>	8,000
<i>Land Improvements, Net</i>	36,636
<i>Buildings, Net</i>	847,726
<i>Equipment, Net</i>	38,679
Total Assets	<u>1,842,852</u>
DEFERRED OUTFLOWS OF RESOURCES:	
<i>Deferred Outflows of Resources - Pensions</i>	39,912
Total Deferred Outflows of Resources	<u>39,912</u>
LIABILITIES:	
<i>Accounts Payable</i>	37,100
<i>Unearned Revenue</i>	17,956
Noncurrent Liabilities:	
Net Pension Liability	123,041
Total Liabilities	<u>178,097</u>
DEFERRED INFLOWS OF RESOURCES:	
<i>Deferred Inflows of Resources - Pensions</i>	79,404
Total Deferred Inflows of Resources	<u>79,404</u>
NET POSITION:	
Net Investment in Capital Assets	931,041
Restricted For:	
Federal and State Programs	4,377
Other Purposes	6,975
Unrestricted	682,870
Total Net Position	<u>\$ 1,625,263</u>

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
PRIMARY GOVERNMENT:			
Governmental Activities:			
<i>Instruction</i>	\$ 171,684	\$ 8,704	\$ (162,980)
<i>Instruction-Related Services</i>	22,182	1,991	(20,191)
<i>Pupil Services</i>	75,311	6,172	(69,139)
<i>General Administration</i>	71,558	6,421	(65,137)
<i>Plant Services</i>	56,653	1,845	(54,808)
<i>Other Outgo</i>	2,093	--	(2,093)
Total Governmental Activities	399,481	25,133	(374,348)
Total Primary Government	\$ 399,481	\$ 25,133	(374,348)
General Revenues:			
<i>LCFF Sources</i>			269,358
<i>Federal Revenues</i>			1,932
<i>State Revenues</i>			(2,388)
<i>Local Revenues</i>			62,987
Total General Revenues			331,889
Change in Net Position			(42,459)
Net Position - Beginning			1,667,722
Net Position - Ending			\$ 1,625,263

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
<i>Cash in County Treasury</i>	\$ 807,738	\$ 49,807	\$ 857,545
<i>Cash in Revolving Fund</i>	50	--	50
<i>Accounts Receivable</i>	54,216	--	54,216
Total Assets	862,004	49,807	911,811
LIABILITIES AND FUND BALANCE:			
Liabilities:			
<i>Accounts Payable</i>	\$ 35,465	\$ 1,635	\$ 37,100
<i>Unearned Revenue</i>	17,956	--	17,956
Total Liabilities	53,421	1,635	55,056
Fund Balance:			
Nonspendable Fund Balances:			
<i>Revolving Cash</i>	50	--	50
Restricted Fund Balances	7,439	3,913	11,352
Assigned Fund Balances	142,713	44,259	186,972
Unassigned:			
<i>Reserve for Economic Uncertainty</i>	69,000	--	69,000
<i>Other Unassigned</i>	589,381	--	589,381
Total Fund Balance	808,583	48,172	856,755
Total Liabilities and Fund Balances	\$ 862,004	\$ 49,807	\$ 911,811

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019*

Total fund balances - governmental funds balance sheet	\$ 856,755
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	931,041
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(123,041)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(79,404)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	<u>39,912</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,625,263</u>

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
<i>State Apportionment or State Aid</i>	\$ 231,326	\$ --	\$ 231,326
<i>Education Protection Account Funds</i>	36,715	--	36,715
<i>Local Sources</i>	1,317	--	1,317
<i>Federal Revenue</i>	17,328	--	17,328
<i>Other State Revenue</i>	7,349	--	7,349
<i>Other Local Revenue</i>	62,140	847	62,987
Total Revenues	<u>356,175</u>	<u>847</u>	<u>357,022</u>
Expenditures:			
Current:			
<i>Instruction</i>	94,966	--	94,966
<i>Instruction - Related Services</i>	22,182	--	22,182
<i>Pupil Services</i>	35,379	4,429	39,808
<i>General Administration</i>	71,558	--	71,558
<i>Plant Services</i>	53,994	--	53,994
<i>Other Outgo</i>	2,093	--	2,093
<i>Capital Outlay</i>	33,414	--	33,414
Total Expenditures	<u>313,586</u>	<u>4,429</u>	<u>318,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,589</u>	<u>(3,582)</u>	<u>39,007</u>
Other Financing Sources (Uses):			
<i>Transfers In</i>	--	6,000	6,000
<i>Transfers Out</i>	(6,000)	--	(6,000)
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>6,000</u>	<u>--</u>
Net Change in Fund Balance	36,589	2,418	39,007
Fund Balance, July 1	771,994	45,754	817,748
Fund Balance, June 30	<u>\$ 808,583</u>	<u>\$ 48,172</u>	<u>\$ 856,755</u>

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019*

Net change in fund balances - total governmental funds	\$ 39,007
--	-----------

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	33,414
The depreciation of capital assets used in governmental activities is not reported in the funds.	(40,954)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	(23,510)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(50,416)

Change in net position of governmental activities - Statement of Activities	\$ <u>(42,459)</u>
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The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Fund
	Self-Insurance Fund
ASSETS:	
Cash in County Treasury	\$ 411
Total Assets	411
LIABILITIES:	
Total Liabilities	--
NET POSITION:	
Total Net Position	\$ 411

The accompanying notes are an integral part of this statement.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

Ravendale-Termo School District (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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

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. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Lassen 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, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with Lassen County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. 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.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or 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 In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Lassen bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

5. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

6. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 14 (Deferred Maintenance Fund) are merged with the General Fund for purposes of presentation in the audit report.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

9. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Change in Accounting Policies

In the current fiscal year, the County Office implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, 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.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

The primary 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

B. Excess of Expenditures Over Appropriations

As of June 30, 2019, the District did not have any expenditures exceeded appropriations in any individual funds.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Lassen County Treasury as part of the common investment pool (\$96,345,226 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$857,956. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$50 as of June 30, 2019) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

4. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,000	\$ --	\$ --	\$ 8,000
Total capital assets not being depreciated	8,000	--	--	8,000
<i>Capital assets being depreciated:</i>				
Buildings	1,650,538	--	--	1,650,538
Improvements	140,185	--	--	140,185
Equipment	195,499	33,414	--	228,913
Total capital assets being depreciated	1,986,222	33,414	--	2,019,636
Less accumulated depreciation for:				
Buildings	(770,822)	(31,990)	--	(802,812)
Improvements	(101,088)	(2,461)	--	(103,549)
Equipment	(183,731)	(6,503)	--	(190,234)
Total accumulated depreciation	(1,055,641)	(40,954)	--	(1,096,595)
Total capital assets being depreciated, net	930,581	(7,540)	--	923,041
Governmental activities capital assets, net	\$ 938,581	\$ (7,540)	\$ --	\$ 931,041

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Depreciation was charged to functions as follows:

Instruction	\$ 2,792
Pupil Transportation	2,088
Plant Services	36,074
	<u>\$ 40,954</u>

E. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2019, consisted of the following:
Transfers To and From Other Funds

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Cafeteria	6,000	Supplement other funds sources
	Total	<u>\$ 6,000</u>	

F. Joint Ventures (Joint Powers Agreements)

The District participates in two Joint Powers Agreements (JPA's), the Northern California Schools Insurance Group and the Schools Excess Liability Fund. The insurance groups arrange for and provide property and liability insurance for their members. The District pays premiums commensurate with the level of coverage requested. These are partial self-insurance programs.

An executive committee consisting of representatives from each member's District governs the JPA's. The governing boards control the operations of their JPA's independent of any influence by the District beyond the District's representation on the governing boards.

The JPA's are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. The budget is not subject to any approval other than that of the executive committee. The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

Condensed financial information for the JPA's for June 30, 2019 was not available as of our report date.

G. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. 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 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019 Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

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 July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 4,413	\$ 5,801
2018	8.292%	4,202	4,289
2019	14.772%	10,069	5,350

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	6.378%	\$ 1,331	\$ 1,331

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

Fund Financial Statements (Current Financial Resources Measurement Focus)			
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 11,097	\$ 3,769	\$ 14,866
Contributions - State On Behalf Payments	10,069	1,331	11,400
Total Contributions	\$ 21,166	\$ 5,100	\$ 26,266

Government-Wide Financial Statements (Economic Resources Measurement Focus)			
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 7,313	\$ 2,783	\$ 10,096
Contributions - State On Behalf Payments	10,069	1,331	11,400
Total Contributions	\$ 17,382	\$ 4,114	\$ 21,496

RAVENDALE-TERMO SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 87,313
CalPERS	35,728
Total Net Pension Liability	<u>\$ 123,041</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each 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 plans relative to the projected contributions of all participating employers, as actuarially determined.

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

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0001%	0.0001%	0.0002%	0.0001%
Proportion June 30, 2019	0.0001%	0.0001%	0.0002%	0.0001%
Change in Proportion	-0.0000%	-0.0000%	-0.0000%	-0.0000%

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (16,265)	\$ 1,829	\$ (14,436)
State On Behalf Pension Expense	5,350	1,331	6,681
Employer Contributions to Pension Expense	11,097	3,769	14,866
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(3,784)	(986)	(4,770)
Difference Between Actual & Expected Experience	108	(1,414)	(1,306)
Change in Assumptions	4,478	839	5,317
Change in Proportionate Shares	--	309	309
Net Difference Between Projected & Actual Earnings	6	1,911	1,917
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	71	--	71
Change in Assumptions	--	(338)	(338)
Change in Proportionate Shares	(13,841)	1,403	(12,438)
Net Difference Between Projected & Actual Earnings	486	201	687
Total Pension Expense	<u>\$ (12,294)</u>	<u>\$ 8,854</u>	<u>\$ (3,440)</u>

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 11,097	\$ 3,769	\$ 14,866
Differences between actual and expected experience	286	2,967	3,253
Changes in assumptions	13,432	4,443	17,875
Change in employer's proportionate share	--	926	926
Net difference between projected and actual earnings	8	2,984	2,992
Total Deferred Outflows of Resources	<u>\$ 24,823</u>	<u>\$ 15,089</u>	<u>\$ 39,912</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (72)	--	\$ (72)
Changes in assumptions	--	(337)	(337)
Change in employer's proportionate share	(64,098)	(1,779)	(65,877)
Net difference between projected and actual earnings	(10,348)	(2,770)	(13,118)
Total Deferred Inflows of Resources	<u>\$ (74,518)</u>	<u>\$ (4,886)</u>	<u>\$ (79,404)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 15,685	\$ 8,499	\$ (32,805)	\$ (1,698)	(10,319)
2021	4,570	3,578	(29,512)	(1,360)	(22,724)
2022	4,568	2,398	(8,300)	(1,236)	(2,570)
2023	--	614	(3,901)	(592)	(3,879)
2024	--	--	--	--	--
Total	<u>\$ 24,823</u>	<u>\$ 15,089</u>	<u>\$ (74,518)</u>	<u>\$ (4,886)</u>	<u>\$ (39,492)</u>

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase (1)		(4)
Mortality (2)		(5)

(1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually)
maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.

RAVENDALE-TERMO SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans 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 plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term,

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflect 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.

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

*20 year average

CalPERS			
Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	--	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	--	-0.92%

* In the Basic Financial Statements, 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.

** An expected inflation rate of 2.00% used for this period

*** An expected inflation rate of 2.92% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 127,901	\$ 52,019
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 87,313	\$ 35,728

RAVENDALE-TERMO SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

1% Increase	8.10%	8.15%
Net Pension Liability	\$ 53,659	\$ 22,213

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 538,931	\$ 374,316	\$ 164,615	\$ 61,037	\$ 103,578
Changes for the year:					
CalSTRS Auditor Adjustment	--	(765)	765	280	485
Change in Prop share	(84,776)	(58,881)	(25,895)	(10,173)	(15,722)
Service Cost	10,713	--	10,713	3,928	6,785
Interest	32,244	--	32,244	11,823	20,421
Differences between expected and actual experience	(141)	--	(141)	(52)	(89)
Contributions:					
Employer	--	7,300	(7,300)	(2,677)	(4,623)
Employee	--	5,244	(5,244)	(1,923)	(3,321)
State On Behalf Payments	--	4,195	(4,195)	(1,538)	(2,657)
Net Investment Income	--	28,010	(28,010)	(10,270)	(17,740)
Other Income	--	158	(158)	(58)	(100)
Benefit Payments, including refunds of employee contributions	(21,805)	(21,805)	--	--	--
Administrative expenses	--	(324)	324	119	205
Borrowing Costs	--	(141)	141	52	89
Other Expenses	--	(3)	3	1	2
Net Changes	(63,765)	(37,012)	(26,753)	(10,488)	(16,265)
Balance at June 30, 2019	\$ 475,166	\$ 337,304	\$ 137,862	\$ 50,549	\$ 87,313

RAVENDALE-TERMO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 120,517	\$ 86,618	\$ 33,899
Changes for the year:			
Change in Proportionate Share	(6,790)	(4,880)	(1,910)
Service Cost	2,911	--	2,911
Interest	8,262	--	8,262
Differences between expected and actual experience	2,483	--	2,483
Change in Assumptions	603	--	603
Contributions:			
Employer	--	2,775	(2,775)
Employee	--	1,277	(1,277)
Net Investment Income	--	6,827	(6,827)
Plan to Plan Resource Movement	--	--	--
Benefit Payments, including refunds of employee contributions	(5,431)	(5,431)	--
Administrative expenses	--	(124)	124
Other expenses	--	(235)	235
Net Changes	2,038	209	1,829
Balance at June 30, 2019	\$ 122,555	\$ 86,827	\$ 35,728

H. Commitments and Contingencies

Litigation

The District is not involved in any litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view 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.

I. Subsequent Events

Subsequent events were evaluated through December 3, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

RAVENDALE-TERMO SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
<i>State Apportionment or State Aid</i>	\$ 236,918	\$ 236,918	\$ 231,326	\$ (5,592)
<i>Education Protection Account Funds</i>	31,007	31,007	36,715	5,708
<i>Local Sources</i>	2,952	2,952	1,317	(1,635)
<i>Federal Revenue</i>	16,429	16,429	17,328	899
<i>Other State Revenue</i>	8,042	8,042	7,349	(693)
<i>Other Local Revenue</i>	62,608	62,608	62,140	(468)
Total Revenues	357,956	357,956	356,175	(1,781)
Expenditures:				
Current:				
<i>Certificated Salaries</i>	52,796	52,796	52,198	598
<i>Classified Salaries</i>	31,228	31,228	24,000	7,228
<i>Employee Benefits</i>	55,066	55,066	51,307	3,759
<i>Books And Supplies</i>	61,456	61,456	18,459	42,997
<i>Services And Other Operating Expenditures</i>	200,529	200,529	132,115	68,414
<i>Other Outgo</i>	2,919	2,919	2,093	826
<i>Capital Outlay</i>	33,500	33,500	33,414	86
Total Expenditures	437,494	437,494	313,586	123,908
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,538)	(79,538)	42,589	122,127
Other Financing Sources (Uses):				
<i>Transfers Out</i>	(6,000)	(6,000)	(6,000)	--
Total Other Financing Sources (Uses)	(6,000)	(6,000)	(6,000)	--
Net Change in Fund Balance	(85,538)	(85,538)	36,589	122,127
Fund Balance, July 1	--	--	771,994	771,994
Fund Balance, June 30	\$ (85,538)	\$ (85,538)	\$ 808,583	\$ 894,121

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.0001%	0.0001%	0.0001%	0.0003%
State's proportion of the net pension liability (asset)	0.0001%	0.0001%	0.0001%	0.0002%
District's proportionate share of the net pension liability (asset)	\$ 87,312	\$ 103,578	\$ 100,293	\$ 189,853
State's proportionate share of the net pension liability (asset) associated with the District	50,549	61,037	57,408	100,630
Total	\$ 137,861	\$ 164,615	\$ 157,701	\$ 290,483
District's covered-employee payroll	\$ 50,679	\$ 59,070	\$ 61,622	\$ 130,113
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.28%	175.35%	162.76%	145.91%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,097 \$	7,313 \$	7,431 \$	6,612 \$	11,554
Contributions in relation to the contractually required contribution	(11,097)	(7,313)	(7,431)	(6,612)	(11,554)
Contribution deficiency (excess)	\$ -- \$	-- \$	-- \$	-- \$	--
District's covered-employee payroll	\$ 68,163 \$	50,679 \$	59,070 \$	61,622 \$	130,133
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.0001%	0.0001%	0.0001%	0.0001%
District's proportionate share of the net pension liability (asset)	\$ 35,728	\$ 33,899	\$ 26,501	\$ 20,404
District's covered-employee payroll	\$ 17,919	\$ 18,196	\$ 16,249	\$ 15,394
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.39%	186.30%	163.09%	132.55%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%
				83.38%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,769 \$	2,783 \$	2,527 \$	1,925 \$	1,812
Contributions in relation to the contractually required contribution	(3,769)	(2,783)	(2,527)	(1,925)	(1,812)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 20,867 \$	17,919 \$	18,196 \$	16,249 \$	15,394
Contributions as a percentage of covered-employee payroll	18.06%	15.53%	13.89%	11.85%	11.77%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

RAVENDALE-TERMO SCHOOL DISTRICT

EXHIBIT C-1

CHARTER SCHOOL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local Revenue</i>	\$ 550	\$ 538	\$ (12)
Total Revenues	550	538	(12)
Expenditures:			
Current:			
<i>Services And Other Operating Expenditures</i>	109	109	109
Total Expenditures	109	109	109
Excess (Deficiency) of Revenues Over (Under) Expenditures	441	538	97
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	441	538	97
Fund Balance, July 1	--	28,578	28,578
Fund Balance, June 30	\$ 441	\$ 29,116	\$ 28,675

RAVENDALE-TERMO SCHOOL DISTRICT

EXHIBIT C-2

CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local Revenue</i>	\$ 45	\$ 42	\$ (3)
Total Revenues	45	42	(3)
Expenditures:			
Current:			
<i>Books And Supplies</i>	5,500	2,973	2,527
<i>Services And Other Operating Expenditures</i>	2,200	1,456	744
Total Expenditures	7,700	4,429	3,271
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,655)	(4,387)	3,268
Other Financing Sources (Uses):			
<i>Transfers In</i>	6,000	6,000	--
Total Other Financing Sources (Uses)	6,000	6,000	--
Net Change in Fund Balance	(1,655)	1,613	3,268
Fund Balance, July 1	--	2,191	2,191
Fund Balance, June 30	\$ (1,655)	\$ 3,804	\$ 5,459

RAVENDALE-TERMO SCHOOL DISTRICT

CAPITAL FACILITIES FUND

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Other Local Revenue</i>	\$ 275	\$ 267	\$ (8)
Total Revenues	275	267	(8)
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	275	267	(8)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	275	267	(8)
Fund Balance, July 1	--	14,985	14,985
Fund Balance, June 30	\$ 275	\$ 15,252	\$ 14,977

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

RAVENDALE-TERMO SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2019

The District was established in 1913 and its size is approximately 325 square miles located in Lassen County of Northern California. The boundaries of the District did not change during the fiscal year. The District consists of one elementary school. Additionally, the District is the sponsoring LEA for two charter schools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Larry Morgan	President	4 year term ending 12/2022
Jeff Askew	Clerk	4 year term ending 12/2020
Robert Stokes	Member	4 year term ending 12/2020

Administration

Jason Waddell - Superintendent

Michelle Brown - CBO

RAVENDALE-TERMO SCHOOL DISTRICT**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2.50	2.50	2.38	2.38
TK/K-3 Totals	2.50	2.50	2.38	2.38
Grades 4-6:				
Regular ADA	1.07	1.07	1.28	1.28
Grades 4-6 Totals	1.07	1.07	1.28	1.28
Grades 7 and 8:				
Regular ADA	2.84	2.84	2.85	2.85
Grades 7 and 8 Totals	2.84	2.84	2.85	2.85
ADA Totals	6.41	6.41	6.51	6.51

There were no audit findings which resulted in necessary revisions to attendance.

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

RAVENDALE-TERMO SCHOOL DISTRICT

*SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2019*

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	61,470	180	N/A	Complied
Kindergarten	36,000	61,470	180	N/A	Complied
Grade 1	50,400	58,770	180	N/A	Complied
Grade 2	50,400	58,770	180	N/A	Complied
Grade 3	50,400	58,770	180	N/A	Complied
Grade 4	54,000	58,770	180	N/A	Complied
Grade 5	54,000	58,770	180	N/A	Complied
Grade 6	54,000	58,770	180	N/A	Complied
Grade 7	54,000	58,770	180	N/A	Complied
Grade 8	54,000	58,770	180	N/A	Complied

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 met its LCFF target funding.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (see note 1)	2019	2018	2017
Revenues and other financial sources	\$ 311,316	\$ 355,688	\$ 310,950	\$ 332,584
Expenditures	332,897	313,586	286,915	311,780
Other uses and transfers out	5,500	6,000	4,500	
Total outgo	338,397	319,586	291,415	311,780
Change in fund balance (deficit)	(27,081)	36,102	19,535	20,804
Ending fund balance	\$ 781,501	\$ 808,583	\$ 771,994	\$ 752,459
Available reserves (see note 2)	\$ 663,472	\$ 658,380	\$ 546,102	\$ 469,818
Available reserves as a percentage of total outgo (see note 3)	196.1%	206.0%	187.4%	150.7%
Total long-term debt	\$ 123,041	\$ 123,041	\$ 137,476	\$ 126,815
Average daily attendance at P-2	6	6	6	6

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.

District reserves are above state minimum amounts.

NOTES:

- 1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 The 2020 budget does not include funds that were combined with the general fund for audit reporting purposes.

RAVENDALE-TERMO SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

TABLE D-4

	General Fund	Deferred Maintenance Fund
June 30, 2019, annual financial and budget report fund balances	\$ 780,746	\$ 11
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Reclassification for financial statement presentation*	27,837	(11)
Net adjustments and reclassifications	27,837	(11)
June 30, 2019, audited financial statement fund balances	\$ 808,583	\$ --
	Special Reserve Fund for Other Than Capital Outlay	
June 30, 2019, annual financial and budget report fund balances	\$ 27,826	
Adjustments and reclassifications:		
Increase (decrease) in fund balances:		
Reclassification for financial statement presentation*	(27,826)	
Net adjustments and reclassifications	(27,826)	
June 30, 2019, audited financial statement fund balances	\$ --	

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

*This audit reclassification is made for financial statement purposes only; pursuant to GASB Statement 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current State law to account for these funds as special revenue fund types for interim reporting and budgeting purposes.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2019

TABLE D-5

The following charter schools are chartered by Ravendale-Termo School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>	<u>Charter Shool Number:</u>
Long Valley Charter - Susanville	No	1871
Long Valley Charter	No	1549

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
Ravendale-Termo School District
Ravendale, California 96123

Members of the Board of Trustees:

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2019-1, that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ravendale-Termo School 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* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2019-2.

Ravendale-Termo School District's Response to Findings

Ravendale-Termo School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ravendale-Termo School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



SingletonAuman PC

Susanville, CA
December 3, 2019

Independent Auditor's Report on State Compliance

Board of Trustees
Ravendale-Termo School District
Ravendale, California 96123

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's 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*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each 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* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and 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 direct and material effect on the state programs noted below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	No, See Below
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 Jobs Act	N/A
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	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

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Ratio of Administrative Employees to Teachers. The procedure was not required to be performed since there is only one administrator employed by the District.

Opinion on State Compliance

In our opinion, Ravendale-Termo School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-2.

Ravendale-Termo School District's Response to Findings

Ravendale-Termo School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Ravendale-Termo School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Susanville, CA
December 3, 2019

Findings and Recommendations Section

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

 Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses?

 X Yes None Reported

Noncompliance material to financial
statements noted?

 X Yes No

2. State Awards

Any audit findings disclosed that are required to be
reported in accordance with Standards and Procedures
for Audits of California K-12 Local Education Agencies?

 X Yes No

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

Unmodified

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

B. Yellow Book/Financial Statement Findings

Internal Control - Significant Deficiency

Finding 2019-1 Lack of Segregation of Duties (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

Yellow Book paragraphs 5.10 - 5.14 and Appendix I, SAS No. 109.

Finding (Condition)

An inadequate segregation of duties exists in the areas of cash, purchasing, grant accounting, and financial close and reporting.

Amount of Questioned costs, How Computed and Prevalence

None.

Effect

The District has exposure to risk of financial statement misstatement and the potential risk of fraud.

Cause

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation

We recommend that the District employees and Board maintain diligence for the potential risks of not having an adequate segregation of duties.

The District should also consider how they might implement procedures to align as much as possible with the following best practices:

Separating duties for the receipting function would be to ensure that the responsibilities of receiving cash, deposit preparation and posting activity to the general ledger are separated.

In the disbursing of funds, the District would ensure that the responsibilities of preparing voucher packages, preparing check requests, approving checks for payment and mailing checks are separated.

The accounting for revenues, including grant revenue, and financial close and reporting process should be reviewed by someone who is familiar with governmental accounting standards to ensure accuracy.

District's Response

In disbursing of funds, the District has separate employees responsible for preparing check request for both accounts payable and payroll. The processing of checks for payment and mailing of checks is separated from the approving checks for payments. Otherwise, the District concurs with this finding.

RAVENDALE-TERMO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

C. State Award Findings and Questioned Costs

Finding 2019-2 Transportation Maintenance of Effort (CDDC#40000)

Criteria upon which audit finding is based (Legal Citation)
Education Code Section 2575(k)

Finding (Condition)

The District did not meet the transportation expenditure requirements for the current fiscal year. This finding is repeated from the prior year.

Amount of Questioned costs, How Computed and Prevalence
None.

Effect

The District is out of compliance with State requirements.

Cause

The District only requires one van and one transportation employee due to the lack of students.

Recommendation

We recommend that the District monitor their transportation expenditures.

District's Response

The District concurs with this finding.

RAVENDALE-TERMO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<u>Finding 2018-1</u> An inadequate segregation of duties exists	Partially Implemented.	See current year finding 2019-1
<u>Finding 2018-2</u> Transportation Maintenance of Effort	Not Implemented.	See current year finding 2019-2

RAVENDALE-TERMO SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

Person Monitoring Corrective Action Plan

District Contracted Superintendent, Jason Waddell

Finding 2019-1 Lack of Segregation of Duties (CDDC#30000)

Finding (Condition)

An inadequate segregation of duties exists in the areas of cash, purchasing, grant accounting, and financial close and reporting.

Corrective Action Planned

Due to the number of employees of the District it is not possible for the District to cost effectively mitigate this finding. The District cannot, with its current budget hire an adequate number of employees to insure that custody of assets and accountability for assets is separated.

The District does, however, believe that being aware of this weakness will insure that existing employees and Board members will maintain diligence to potential risks of not having an adequate segregation of duties.

Expected Completion Date

Ongoing.

Finding 2019-2 Transportation Maintenance of Effort (CDDC#40000)

Finding (Condition)

The District did not meet the transportation expenditure requirements for the current fiscal year per Education Code Section 2575(k).

Corrective Action Planned

The District will monitor their transportation expenditures to insure compliance with state requirements.

Expected Completion Date

June 30, 2019