TWIN RIVERS UNIFIED SCHOOL DISTRICT

COUNTY OF SACRAMENTO MCCLELLAN, CALIFORNIA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017

TWIN RIVERS UNIFIED SCHOOL DISTRICT

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TWIN RIVERS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Twin Rivers Unified School District
McClellan, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Rivers Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 the District, as of June 30, 2017, 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 the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Additional Financial Information sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a part of the basic financial statements. The Supplementary Information section is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 13, 2017

Management's Discussion and Analysis of Twin Rivers Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements, and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

- The Assets and Deferred Outflows of Resources are less than the Liabilities and Deferred Inflows of Resources of the District at June 30, 2017 by $54.3 million (net position).

- The Net Pension Liability increased by $43.5 million primarily due to lower actual earnings compared to projected earnings on pension plan investments during the measurement period of the Net Pension Liability (June 30, 2016). Refer to Note 9 for further disclosures related to the Net Pension Liability.

- General Fund governmental fund revenues and other sources exceeded expenditures and other uses by $4.8 million, increasing the ending fund balance to $49.6 million. The ending fund balance consists of:

  - $682 thousand of nonspendable funds
  - $9.3 million for restricted programs
  - $24.1 million for various assigned designations
  - $15 million for economic uncertainties
  - $428 thousand for unassigned

- The Local Control Funding Formula Sources account for 78% of the District's total General Fund revenues and other sources.

- In 2016-17, the District expended 75% of its General Fund expenditures and other uses on certificated salaries, classified salaries and related benefits.

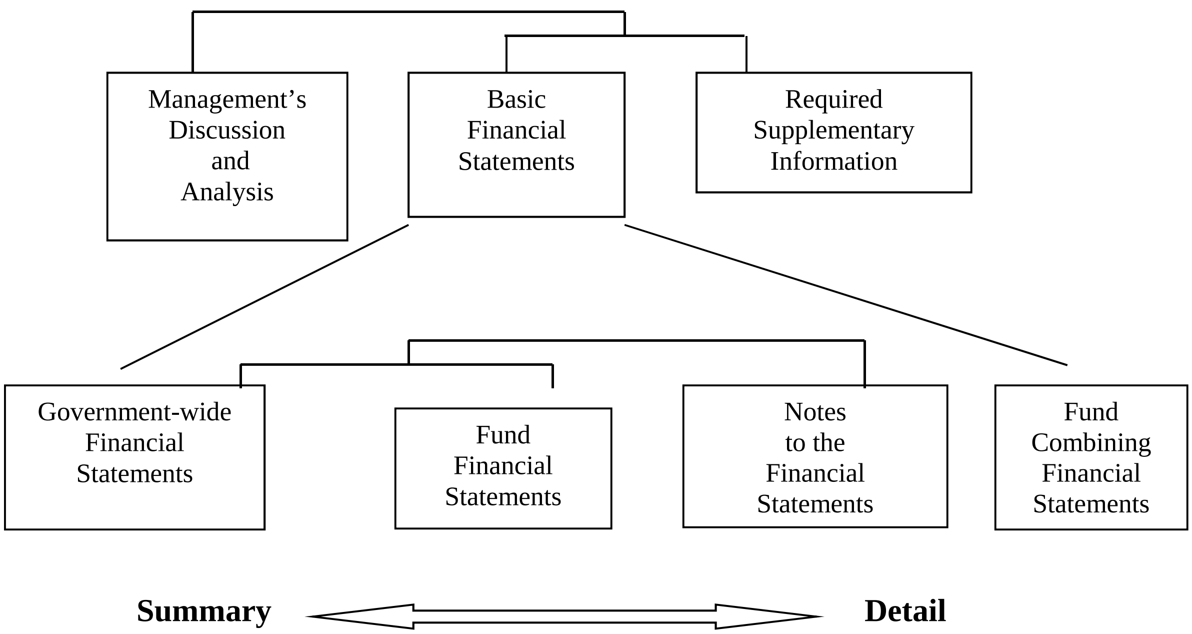
- The District issued $49.7 million of General Obligation Bonds which were used to repay a portion of the 2007 Certificate of Participation (COP). Additionally, several other General Obligation bonds were refunded, which reduced the taxpayers annual payment.

- In complying with GASB Codification Section N50.115-.121, fixed assets were valued at historical cost. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $705 million. After depreciation, the June 30, 2017 book value for fixed assets totaled $482 million.

OVERVIEW OF THE 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 financial statements are organized to provide the reader first with a look at the financial status of the entire Twin Rivers Unified School District. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The *Government-wide Financial Statements* include the Statement of Net Position and Statement of Activities. These statements provide both short-term and long-term information about the District's overall financial position.

The *Fund Financial Statements* provide the next level of detail and include statements for each of the categories of activities: governmental, and fiduciary.

The *Governmental Funds* tell how services were financed in the short-term as well as what remains for future spending.

The *Fiduciary Funds* are trust and agency funds, and are used to account for resources held for the benefit of parties outside the governmental entity.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements

Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets, liabilities and deferred outflows and inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, general administration, transportation, facilities construction and maintenance, and long-term debt are included here, and are primarily financed by property taxes and state formula aid.

Fund Financial Statements

The *Fund Financial Statements* provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Building Fund, County School Facilities Fund, Bond Interest and Redemption Fund, and the Special Reserve for Capital Outlay Projects Fund. The nonmajor governmental funds are combined and reported under the other governmental funds. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental funding information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds – The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was negative $54.3 million at June 30, 2017 due primarily to recognizing net pension liability of $278 million as a result of 2014-15's GASB statements related to pension liability. Of this amount negative $202.7 million was unrestricted. Investments in capital assets, net of related debt, account for $109.5 million of the total net position. And lastly, resources subject to external restrictions accounted for $39 million of net position.

(Table 1)
Statement of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current and other assets	$ 152,127,962	$ 172,196,500
Capital assets	481,978,936	464,037,700
Total assets	634,106,898	636,234,200
Deferred outflows of resources	66,057,790	25,212,778
Liabilities		
Current and other liabilities	37,927,268	29,882,161
Long-term liabilities	701,136,013	673,213,731
Total liabilities	739,063,281	703,095,892
Deferred inflows of resources	15,394,199	25,921,115
Net Position		
Invested in capital assets, net of related debt	109,416,812	64,503,455
Restricted	39,008,186	37,541,222
Unrestricted	(202,717,790)	(169,614,706)
Total Net Position	$ (54,292,792)	$ (67,570,029)

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 below is a condensed version of the statement and shows revenues and expenses for the year.

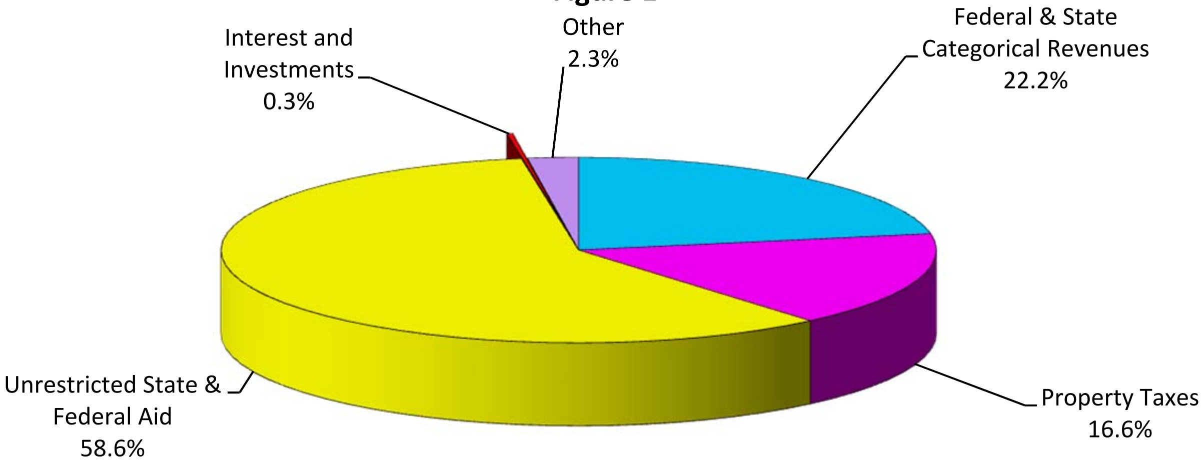
(Table 2)
Statement of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Program revenues	$ 85,290,415	$ 82,591,837
General revenues		
Taxes levied for general purposes	42,343,532	36,416,104
Taxes levied for other specific purpose	21,525,652	15,380,564
Federal and State Aid not restricted to specific purposes	225,462,968	231,363,895
Interest and investment earnings	1,024,658	422,376
Other general revenues	8,817,791	8,030,115
Total revenues	$ 384,465,016	$ 374,204,891
Expenses		
Instruction	$ 203,834,450	$ 189,524,233
Instruction Related Services	38,728,846	36,484,076
Pupil Support Services	48,642,453	43,895,599
General Administration	21,587,720	22,080,683
Plant Services	32,193,928	29,117,567
Other	26,200,382	19,395,566
Total expenses	371,187,779	340,497,724
Increase (Decrease) in Net Position	13,277,237	33,707,167
Net Position - Beginning	(67,570,029)	(101,277,196)
Net Position - Ending	$ (54,292,792)	$ (67,570,029)

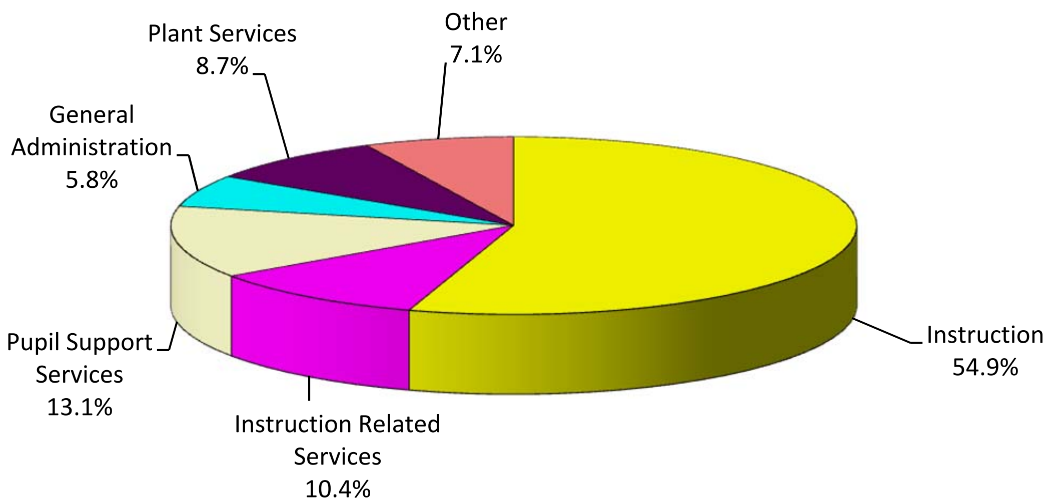
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

As reported in the Statement of Activities, the cost of all of the District's activities this year was $371.2 million. The amount that our local taxpayers financed for these activities through property taxes was $63.9 million. State and Federal aid not restricted to specific purposes totaled $225.5 million. State and Federal Categorical revenue totaled $85.3 million, and covered 23% of the expenses of the entire District.

Sources of Revenue for the 2016-17 Fiscal Year
Figure 1



Expenses for the 2016-17 Fiscal Year
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Statement of Revenues, Expenditures and Changes in Fund Balances, is a report of the financial information by major funds. As the District completed this year, governmental funds reported a combined fund balance of $121.6 million. The fund balance in the General Fund (which also includes the Special Reserve for Other Postemployment Benefits Funds), is $49.6 million, of which $682 thousand is nonspendable funds, $9.3 million for restricted programs, $24.1 million for various assigned designations and $15 million for economic uncertainties under unassigned fund balance with a remaining unassigned fund balance of $428 thousand.

General Fund Budgetary Highlights

The General Fund accounts are for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times.

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

The final revised budget for the General Fund reflected a net decrease to the ending balance of $29.7 million. The District ended the year with a $4.8 million increase to the general fund ending balance. The difference between the projected decrease of $29.7 million and an actual increase of $4.8 million is mainly due to unspent funds of $24.1 million of assigned program balances (i.e., Instructional Materials, Regional Occupational Centers and Programs, certificated laptops, Charter Supplemental/Concentration, Site Base Allocation and Salary Settlements.) and $9.3 million of restricted program balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2016-17 fiscal year, the District had invested $705 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. This is an increase of $33 million over the prior year. The primary increase in capital assets is from the modernization of existing buildings.

Capital Assets
(net of depreciation)
June 30, 2017

Land	$ 37,155,745
Site Improvement	14,871,658
Buildings	331,433,444
Machinery & Equipments	14,346,219
Work in Progress	84,171,870
Total	$ 481,978,936

Long-Term Debt

At June 30, 2017, the District had $701.1 million in long-term debt outstanding.

Twin Rivers Unified School District
Outstanding Debt
June 30, 2017

	2017	2016
General Obligation Bonds	$ 308,110,597	$ 248,421,971
Capitalized Interest	13,416,946	16,353,061
Certificate of Participation	47,350,000	118,825,000
Qualified Zone Academy Bonds	11,000,000	11,000,000
Capital Lease Obligations	3,267,790	4,934,213
Other Post-Employment Benefits	38,476,299	37,586,121
Compensated Absences	1,696,377	1,740,831
Net Pension Liability	277,818,004	234,352,534
TOTAL	$ 701,136,013	$ 673,213,731

The District issued $49.7 million of General Obligation Bonds which were used to repay a portion of the 2007 Certificate of Participation (COP). Additionally, several other General Obligation bonds were refunded, which reduced the taxpayers annual payment. During the year ended June 30, 2017, the 2003 COP was paid off. The District did not enter into any new capital leases during 2016-17. Postretirement healthcare benefits liability increased based on the updated actuarial report and Net Pension Liability increased for the District's proportionate share of the State Retirement Liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The State is in its fifth year of the implementation of the Local Control Funding Formula (LCFF). Full implementation of LCFF is anticipated to be complete by 2020-21 but could be as early as 2018-19. With the 2017-18 LCFF funding we are already 97% of the way to full implementation. While the economy has improved quickly over the last few years, both the Governor and the Department of Finance continue to remind educational entities that an economic downturn is inevitable and could negatively affect school funding.

- Enrollment is stabilizing and it is expected to increase slightly in the coming year. The District continues to implement programs and philosophies to attract and retain students and increase student attendance.

- The District's contribution to CalSTRS and CalPERS will continue to increase each year for the next three years. Annual cumulative increases are estimated at over $3 million each year for the next three years. Increase costs in 2018-19 over 2014-15 (before the cumulative annual increases started) is $11.3 million.

- Special Education expenditures continue to increase along with the additional placements in non-public schools and 1:1 paraeducators needed throughout the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Kate Ingersoll, Executive Director, Fiscal Services at Twin Rivers Unified School District at 5115 Dudley Blvd., McClellan, CA 95652, (916) 566-1600 ext. 50124.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS:	
Cash and equivalents	$ 125,912,041
Restricted cash and equivalents	10,144,189
Accounts receivable	14,899,586
Inventories	803,976
Prepaid items	368,170
Depreciable capital assets (net)	360,651,321
Nondepreciable capital assets	121,327,615
Total assets	634,106,898
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows for resources related to pensions	55,474,581
Deferred amount on refundings	10,583,209
Total deferred outflows of resources	66,057,790
LIABILITIES:	
Accounts payable	35,177,528
Unearned revenue	2,749,740
Long-term liabilities, due within one year	15,691,924
Long-term liabilities, due in more than one year	
Net pension liability	277,818,004
Net OPEB liability	35,112,531
Other long-term liabilities	372,513,554
Total liabilities	739,063,281
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows for resources related to pensions	15,394,199
NET POSITION:	
Net investment in capital assets	109,416,812
Restricted for:	
Capital projects	733,334
Debt service	25,598,563
Educational programs	10,829,307
Other purposes (expendable)	1,846,982
Unrestricted	(202,717,790)
Total net position	$ (54,292,792)

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 203,834,450	$ 106,310	$ 46,254,055	$ 30,420	$ (157,443,665)
Instruction-related services:					
Supervision of instruction	12,813,358	14,566	3,844,480		(8,954,312)
Instructional library, media and technology	3,087,011		42,823		(3,044,188)
School site administration	22,828,477	2,238	2,399,757		(20,426,482)
Pupil services:					
Pupil transportation	9,862,343	111	110,373		(9,751,859)
Food services	17,978,914	939,223	16,224,393		(815,298)
Other pupil services	20,801,196	2,994	4,922,862		(15,875,340)
General administration:					
Data processing services	4,446,104				(4,446,104)
Other general administration	17,141,616	54,892	2,814,015		(14,272,709)
Plant services	32,193,928	7,686	615,419		(31,570,823)
Ancillary services	4,033,125		106,705		(3,926,420)
Community services	16,422				(16,422)
Interest and other charges	19,277,987				(19,277,987)
Other outgo	2,872,848	7,482	6,789,611		3,924,245
Totals	$ 371,187,779	$ 1,135,502	$ 84,124,493	$ 30,420	(285,897,364)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	42,343,532
Taxes levied for debt service	21,053,949
Taxes for specific purposes	471,703
Federal and state aid not restricted to specific purposes	225,462,968
Interest and investment earnings	1,024,658
Transfers from other agencies	3,320,864
Miscellaneous revenue	5,496,927
Total general revenues	299,174,601
Change in net position	13,277,237
Net position - beginning of year	(67,570,029)
Net position - ending	$ (54,292,792)

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and equivalents	$ 62,869,616	$ 7,661,145	$ 16,720,351	$ 6,805,169	$ 18,153,633	$ 13,702,127	$ 125,912,041
Restricted cash and equivalents		2,725		10,141,464			10,144,189
Accounts receivable	9,374,489	55,755	14,821	460,602	35,743	4,958,176	14,899,586
Due from other funds	1,124,581	73		15,400		2,080,235	3,220,289
Inventories	573,276					230,700	803,976
Prepaid items	3,520					840	4,360
Total assets	$ 73,945,482	$ 7,719,698	$ 16,735,172	$ 17,422,635	$ 18,189,376	$ 20,972,078	$ 154,984,441
LIABILITIES:							
Accounts payable	$ 21,201,306		$ 3,524,044	$ 452,676		$ 2,193,850	$ 27,371,876
Due to other funds	1,200,954	$ 73				2,019,262	3,220,289
Unearned revenue	1,982,572				$ 2,076	765,092	2,749,740
Total liabilities	24,384,832	73	3,524,044	452,676	2,076	4,978,204	33,341,905
FUND BALANCES:							
Nonspendable	681,796					231,540	913,336
Restricted	9,315,279			11,080,712	18,187,300	3,361,010	41,944,301
Assigned	24,135,974	7,719,625	13,211,128	5,889,247		12,401,324	63,357,298
Unassigned	15,427,601						15,427,601
Total fund balances	49,560,650	7,719,625	13,211,128	16,969,959	18,187,300	15,993,874	121,642,536
Total liabilities and fund balances	$ 73,945,482	$ 7,719,698	$ 16,735,172	$ 17,422,635	$ 18,189,376	$ 20,972,078	$ 154,984,441

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance, governmental funds	$ 121,642,536
Amounts reported for governmental activities in the statement of net position are different because:	
In governmental funds, prepaid debt insurance costs are recognized as expenditures in the period they are incurred. In government-wide financial statements, prepaid debt insurance costs are reported as prepaid and amortized over the life of the debt. The prepaid insurance at the end of the perioid was:	363,810
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is $704,789,721, and the accumulated depreciation is $222,810,785.	481,978,936
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(7,805,652)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:	
Long-term liabilities, due within one year	(15,691,924)
Long-term liabilities, due in more than one year	
Net pension liability	(277,818,004)
Net OPEB liability	(35,112,531)
Other long-term liabilties	(372,513,554)
In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are reported as follows:	
Deferred outflows of resources related to pensions	55,474,581
Deferred outflows of resources resulting from deferred amount on refundings	10,583,209
Deferred inflow of resources related to pensions	(15,394,199)
Total net position, governmental activities	$ (54,292,792)

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
State apportionment	$ 220,840,999					$ 1,896,380	$ 222,737,379
Local sources	35,016,064						35,016,064
Total local control funding formula	255,857,063					1,896,380	257,753,443
Federal revenues	22,852,183					18,511,621	41,363,804
Other state revenues	28,223,449			$ 1,606,459	$ 264,315	8,250,581	38,344,804
Other local revenues	19,352,005	$ 212,517	$ 30,420	913,060	21,838,468	4,227,135	46,573,605
Total revenues	326,284,700	212,517	30,420	2,519,519	22,102,783	32,885,717	384,035,656
EXPENDITURES:							
Current:							
Instruction	184,482,691					6,754,159	191,236,850
Instruction-related services:							
Supervision of instruction	10,958,995					1,116,723	12,075,718
Instructional library, media and tech	2,842,537						2,842,537
School site administration	20,817,830					736,522	21,554,352
Pupil services:							
Pupil transportation	13,487,558						13,487,558
Food services	217,119					17,605,221	17,822,340
Other pupil services	18,656,860					678,001	19,334,861
Ancillary services	3,769,353						3,769,353
Community Services	16,422						16,422
General administration:							
Data processing services	4,380,901						4,380,901
Other general administration	14,761,435					1,490,319	16,251,754
Plant services	30,641,435	10,235		68,344		1,800,588	32,520,602
Debt service:							
Principal	1,543,168				9,557,020	123,245	11,223,433
Interest and other charges	113,206	21,460,268			8,107,062	22,751	29,703,287
Bond issuance costs		1,396,074					1,396,074
Capital outlay	476,585	401,959	8,734,052	3,161,872		14,958,630	27,733,098
Transfers to other agencies	1,949,450	923,398					2,872,848
Total expenditures	309,115,545	24,191,934	8,734,052	3,230,216	17,664,082	45,286,159	408,221,988
Excess (deficiency) of revenues over expenditures	17,169,155	(23,979,417)	(8,703,632)	(710,697)	4,438,701	(12,400,442)	(24,186,332)
OTHER FINANCING SOURCES (USES):							
Bonds issued		161,261,032					161,261,032
Premium on bond issued		12,694,453					12,694,453
Payments to refunded bond escrow agent		(103,539,648)					(103,539,648)
Payment on COP		(71,475,000)					(71,475,000)
Interfund transfers out	(12,349,827)	(73)		(8,645,584)		(13,828,382)	(34,823,866)
Interfund transfers in		300,073	18,604,696	2,319,826		13,599,271	34,823,866
Total other financing sources and (uses)	(12,349,827)	(759,163)	18,604,696	(6,325,758)		(229,111)	(1,059,163)
Increase (decrease) in fund balances	4,819,328	(24,738,580)	9,901,064	(7,036,455)	4,438,701	(12,629,553)	(25,245,495)
Fund balances - beginning	44,741,322	32,458,205	3,310,064	24,006,414	13,748,599	28,623,427	146,888,031
Fund balances - ending	$ 49,560,650	$ 7,719,625	$ 13,211,128	$ 16,969,959	$ 18,187,300	$ 15,993,874	$ 121,642,536

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds:	$ (25,245,495)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the government-wide statements reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays ($32,902,053) exceed depreciation ($14,543,748) in the period.	18,358,305
The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:	363,810
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the government-wide statements.	82,698,433
Because governmental funds focus on current financial resources, they do not report long-term debt. Thus neither debt issued, refunded debt and refunding debt are reported in governmental funds. This is the net effect of the debt issuance and refunding transactions in the current period on the governmental fund statements:	(59,832,628)
Premiums are recognized as a part of long-term debt transactions in the year of issuance by governmental funds. However, these costs are deferred and amortized in the government-wide statements.	1,201,912
Changes in the liability for compensated absences, early retirement incentives and postemployment benefits are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In government-wide statements, they are recognized as when earned.	(845,724)
Capital projects cancelled or written off are charged to expense in the period the project is cancelled.	(417,069)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in government-wide statements, unmatured interest on long-term debt is accrued at year end.	(327,556)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	(2,676,751)
Change in net position of governmental activities	$ 13,277,237

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	Student Body Agency Fund
ASSETS:	
Cash and equivalents	$ 453,496
LIABILITIES:	
Due to student groups and other agencies	$ 453,496

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

Twin Rivers Unified School District (the District) was established effective July 1, 2008 through the merging of Del Paso Heights School District, Grant Joint Union High School District, North Sacramento Elementary School District and Rio Linda Union Elementary School District. The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District sponsored the following independent charter schools: Community Collaborative Charter, Community Outreach Academy, Futures High School, Heritage Peak Charter School, Higher Learning Academy, and Sacramento Academic and Vocational Academy. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because they have been established as non-profit public benefit corporations. The charter agreements specify that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The Board of Trustees (the Board) is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the GASB since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund.

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

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

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. The fiduciary fund is reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The fiduciary fund is reported using the economic resources measurement focus. The fiduciary fund is not included in the government-wide financial statements. The fiduciary fund is reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. The fiduciary fund uses the accrual basis of accounting.

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

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

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

Major Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. Additionally, the Special Reserve for Other Postemployment Benefits Funds has been combined with the General Fund because it does not meet the definition of a Special Revenue Fund under GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definition*.

Capital Projects Fund, are used to account for the acquisition or construction of all major governmental general capital facilities and other capital assets. The District maintains the following major capital projects funds:

The **Building Fund** is used to account for the acquisition and construction of major governmental capital facilities and buildings.

The **County School Facilities Fund** is used to account for state apportionment provided for the construction and reconstruction of school facilities under SB50.

The **Special Reserve for Capital Outlay Projects Fund** is used to account for resources accumulated from the general fund for capital outlay purposes and any other revenue specifically for capital projects that are not restricted to a specific capital projects fund.

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

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The **Adult Education Fund** is used to account for state, federal and local revenues for adult educational programs.

The **Child Development Fund** is used to account for state, federal and local revenues to operate child development programs.

The **Cafeteria Fund** is used to account for state, federal and local revenues to operate the food services program.

The **Deferred Maintenance Fund** is used to account for state revenues, and matching funds from the district, that are to be used on maintenance projects for upkeep of district facilities.

Capital Projects Funds are used to account for the acquisition or construction of all major governmental general capital facilities and other capital assets. The District maintains the following non-major capital projects funds:

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

Fiduciary Fund

The fiduciary fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. The fiduciary fund is not included in the government-wide financial statements. The fiduciary fund is reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains **Student Body Funds**, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. A budget is not maintained for the Debt Service Fund because it is fiscally monitored by the County of Sacramento. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Deferred Maintenance Fund are presented as required supplementary information in these financial statements.

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

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily 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 expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

I. CAPITAL ASSETS

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

J. PENSIONS

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 State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Schools Pool Plan), and Police Department Dispatchers and Police Officer/School Resource Officers are members of the Safety Police Plan (the CalPERS Safety Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 9 for further details related to these pension deferred outflows and inflows.

L. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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.

M. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Trustees) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment. As of June 30, 2017, the District had no committed fund balances.

Assigned – Funds that are constrained by the District's intent to use them for specific purposes, but that are neither restricted nor committed. The Board of Trustees can delegate the authority to assign amounts to be used for specific purposes to District personnel. The Board of Trustees policy reads, "Any such assignment will be presented at regular financial and budget reporting periods including the year-end unaudited actuals." As of June 30, 2017, $63,357,298 is assigned for specific purposes. See Note 8 for details.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District's Board policy is to maintain a minimum unassigned fund balance, which includes a reserve for economic uncertainties, equal to at least one month of General Fund payroll expenditures ($15,000,000) or 6% of the General Fund expenditures and other financing sources. As of June 30, 2017, the District had a Reserve for Economic Uncertainty of $15,000,000 in the General Fund's unassigned fund balance which represents 4.8% of budgeted general fund expenditures and other financing uses.

N. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and 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 Sacramento bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

O. USE OF ESTIMATES

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

P. FUTURE GASB IMPLEMENTATION

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits.

The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

2. CHARTER SCHOOLS

The District operates the Creative Connections Art Academy, Westside Preparatory Charter School and Smythe Academy of Arts and Sciences (collectively, the Charter Schools) pursuant to Education Code Section 47605. The financial activities of the Charter Schools are presented in the General Fund.

3. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	$ 125,912,041
Restricted cash and equivalents	10,144,189
Fiduciary fund:	
Cash and equivalents	453,496
Total cash and equivalents	$ 136,509,726

Cash and equivalents as of June 30, 2017, consist of the following:

Cash and equivalents with County Treasury	$ 124,605,328
Cash on hand and in banks	721,616
Cash awaiting deposit	933,593
Revolving cash fund	105,000
Cash with Fiscal Agent	10,144,189
Total cash and equivalents	$ 136,509,726

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the treasury investment pool is approximately 277 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. As applicable, the actual rating for the cash and equivalents with fiscal agent as of June 30, 2017 is as follows:

	Amount	Minimum Legal Rating	Rating
BNP Paribas	$ 10,130,795	N/A	A-1
First American Treasury	10,667	N/A	AAAm
US Bank Money Market Fund	2,725	N/A	AA-

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $462,932.

4. ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Funds
Federal government	$ 2,505,614					$ 4,212,260	$ 6,717,874
State government	893,175		$ 14,821			357,651	1,265,647
Other local	5,975,700	$ 55,755		$ 460,602	$ 35,743	388,265	6,916,065
Totals	$ 9,374,489	$ 55,755	$ 14,821	$ 460,602	$ 35,743	$ 4,958,176	$14,899,586

5. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	$ 1,124,581	$ 1,200,954
Building	73	73
Special Reserve for Capital Outlay Projects	15,400	
Other Governmental Funds:		
Adult Education	125,713	19,794
Child Development	30,478	155,968
Cafeteria	27,664	1,828,100
Deferred Maintenance	1,896,380	15,400
Totals	$ 3,220,289	$ 3,220,289

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

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

Individual interfund transfers for the fiscal year ended June 30, 2017 were as follows:

Transfer from the Adult Education Fund to the Building Fund to cover rent for the facilities.	$ 300,000
Transfer from the General Fund to the Deferred Maintenance Fund to support maintenance projects.	10,000,000
Transfer from the General Fund to the Special Reserve for Capital Outlay fund to support facility projects.	2,319,826
Transfer from the General Fund to the Child Development Fund to help support the program.	30,001
Transfer from the Deferred Maintenance Fund to the County School Facilities Fund to support facility projects.	13,528,382
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to support facility projects.	1,893,207
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to support facility projects.	1,412,112
Transfer from the Special Reserve for Capital Outlay Fund to the County School Facilities Fund to support facility projects.	1,770,995
Transfer from the Special Reserve for Capital Outlay Fund to the Deferred Maintenance Fund to support facility projects.	3,569,270
Transfer from the Building Fund to Building Fund sub fund, Measure G GO Bond Fund, to support COP debt liability.	73
Total	$ 34,823,866

6. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 37,155,745			$ 37,155,745
Work-in-process	64,522,794	$ 21,854,506	$ (2,205,430)	84,171,870
Total capital assets, not being depreciated	101,678,539	21,854,506	(2,205,430)	121,327,615
Capital assets, being depreciated:				
Improvement of sites	27,393,735			27,393,735
Buildings	507,785,530	8,083,478		515,869,008
Equipment/Vehicles	35,561,721	5,181,625	(543,983)	40,199,363
Total capital assets, being depreciated	570,740,986	13,265,103	(543,983)	583,462,106
Less accumulated depreciation for:				
Improvement of sites	(11,345,307)	(1,176,770)		(12,522,077)
Buildings	(172,943,172)	(11,492,392)		(184,435,564)
Equipment/Vehicles	(24,093,346)	(1,874,586)	114,788	(25,853,144)
Total accumulated depreciation	(208,381,825)	(14,543,748)	114,788	(222,810,785)
Total capital assets, being depreciated, net	362,359,161	(1,278,645)	(429,195)	360,651,321
Governmental activities capital assets, net	$ 464,037,700	$ 20,575,861	$ (2,634,625)	$ 481,978,936

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	$ 9,235,091
Supervision of instruction	558,208
Instructional library	192,303
School site administration	1,178,608
Home-to-school transportation	382,875
Food services	70,057
Other pupil services	1,032,104
Ancillary services	194,539
All other general administration	567,415
Centralized data processing	139,513
Plant services	993,035
Total depreciation expense	$ 14,543,748

7. LONG-TERM LIABILITIES

General Obligation Bonds

2016 Series

On November 16, 2016, the District issued the General Obligation Bonds, Election 2006, Series 2016 (2016 Series), in the aggregate principal amount of $49,664,785 for the purpose of repaying a portion of the District's 2007 Certificates. As of June 30, 2017, the principal amount outstanding was $49,664,784.

2016 Refunding Series A

On November 16, 2016, the District also issued General Obligation Refunding Bonds, Series A (2016 Refunding Series A), in the aggregate principal amount of $62,381,247 to currently and advance refund certain outstanding District bonds as listed below. The District completed the refunding to reduce debt service payments by $7,021,273, which reduced the taxpayers yearly bond tax payment and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $5,669,247 in aggregate. The District defeased the bonds by placing proceeds of the 2016 Refunding Series A in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the defeased bonds are not included in the Statement of Net Position. As of June 30, 2017, the 2016 Refunding Series A principal balance outstanding was $62,381,247.

The 2016 Refunding Series A were issued to currently and advance refund outstanding District bonds as follows:

On March 10, 2005, Grant Joint Union High School District issued General Obligation Refunding Bonds (Grant 2005 Refunding) in the amount of $18,793,107 to advance refund a portion of the 2002 General Obligation Bonds. The Grant 2005 Refunding are authorized pursuant to the special election of the registered voters held on March 5, 2002, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. In November 2016, $4,110,000 of the Grant 2005 Refunding outstanding were partially currently refunded with the issuance of the 2016 Refunding Series A. The remaining Grant 2005 Refunding bear interest rates from 4.94% to 5.04% and are scheduled to mature through August 2021. As of June 30, 2017, the principal amount outstanding of the Grant 2005 Refunding was $1,685,715.

On September 29, 2006, Grant Joint Union High School District issued General Obligation Bonds, Series 2006 (Grant 2006 Series) in the amount of $55,000,000 to finance specific construction and modernization projects approved by the voters. The Grant 2006 Series are authorized pursuant to the special election of the registered voters held on June 6, 2006, and were payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. In November 2016, all of the Grant 2006 Series outstanding, $11,240,000, were currently refunded with the issuance of the 2016 Refunding Series A.

On June 18, 2008, Grant Joint Union High School District issued General Obligation Bonds (Grant 2008 Series) in the amount of $33,998,991 to finance specific construction and modernization projects approved by the voters. The Grant 2008 Series were authorized pursuant to the special election of the registered voters held on June 6, 2006, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. In November 2016, $16,724,445 of the Grant 2008 Series outstanding were advance refunded with the issuance of the

2016 Refunding Series A. The remaining Grant 2008 Series bear interest rates from 4.00% to 5.94% and are scheduled to mature through February 2033. As of June 30, 2017, the principal amount outstanding of the Grant 2008 Series was $15,268,377.

On January 8, 2014, the District issued General Obligation Bonds, 2014 Series A (2014 Series A), in the aggregate principal amount of $38,999,242 for the purpose of repaying the District's 2009 General Obligation Bond Anticipation Note, which matured on April 1, 2014, in the aggregate principal amount of $39,000,000. In November 2016, $18,339,242 of the 2014 Series A outstanding were advance refunded with the issuance of the 2016 Refunding Series A. The remaining 2014 Series A bear interest rates from 3.00% to 5.00% and are scheduled to mature through August 2040. As of June 30, 2017, the principal amount outstanding of the 2014 Series A was $19,245,000.

2016 Refunding Series B

On November 16, 2016, the District issued the General Obligation Bonds, Series 2016 B (2016 Refunding Series B), in the aggregate principal amount of $49,215,000 to currently and advance refund certain outstanding District bonds as listed below. The District completed the refunding to reduce debt service payments by $11,062,767, which reduced the taxpayers yearly bond tax payment and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $8,264,180 in aggregate. The District defeased the bonds by placing proceeds of the 2016 Refunding Series B in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the defeased bonds are not included in the Statement of Net Position. As of June 30, 2017, the 2016 Refunding Series B principal balance outstanding was $49,215,000.

The 2016 Refunding Series B were issued to currently and advance refund outstanding District bonds as follows:

On June 29, 2005, North Sacramento Elementary School District issued Refunding General Obligation Bonds, Series 2005 (North Sacramento 2005 Refunding) in the aggregate principal amount of $10,090,000 for the purpose of refunding a portion of the District's outstanding General Obligation Bonds, Series 1998 and Series 2000. In November 2016, all of the North Sacramento 2005 Refunding outstanding, $6,440,000, were currently refunded with the issuance of the 2016 Refunding Series B.

On July 26, 2006, North Sacramento Elementary School District issued General Obligation Bonds, Series 2006 (North Sacramento 2006 Series) in the aggregate principal amount of $5,960,000 for the purpose of financing the acquisition and construction of additional school facilities and permanent improvement or renovation of existing school faculties. In November 2016, all of the North Sacramento 2006 Series outstanding, $4,120,000, were currently refunded with the issuance of the 2016 Refunding Series B.

On March 5, 2007 Rio Linda Union Elementary School District issued General Obligation Bonds, Series 2007 (Rio Linda 2007 Series) in the amount of $38,000,000 to finance the construction of two new elementary schools and modernization of all of the District's existing elementary schools. In November 2016, $33,925,000 of the Rio Linda 2007 Series outstanding were advance refunded with the issuance of the 2016 Refunding Series B. The remaining Rio Linda 2007 Series bear an interest rate of 5.00% and is scheduled to mature on August 1, 2017. As of June 30, 2017, the principal amount outstanding of the Rio Linda 2007 Series was $925,000.

On September 6, 2007, North Sacramento Elementary School District issued General Obligation Bonds, Series 2007 (North Sacramento 2007 Series) in the aggregate principal amount of $5,999,599 for the purpose of funding improvements made to its school facilities. In November 2016, $3,440,961 of the North Sacramento 2007 Series outstanding were advance refunded with the issuance of the 2016 Refunding Series B. The remaining North Sacramento 2007 Series bear an interest rate of 4.10% and is scheduled to mature on August 1, 2017. As of June 30, 2017, the principal amount outstanding of the North Sacramento 2007 Series was $271,386.

On March 27, 2008, North Sacramento Elementary School District issued General Obligation Bonds, Series 2008 (North Sacramento 2008 Series) in the aggregate principal amount of $5,540,000 for the purpose of funding improvements made to its school facilities. In November 2016, $5,200,000 of the North Sacramento 2008 Series outstanding were advance refunded with the issuance of the 2016 Refunding Series B. The remaining North Sacramento 2008 Series bear an interest rate of 5.00% and is scheduled to mature on August 1, 2017. As of June 30, 2017, the principal amount outstanding of the North Sacramento 2008 Series was $90,000.

Remaining Bonds

On May 6, 2008, Rio Linda Union Elementary School District issued $12,065,000 of General Obligation Refunding Bonds to refund the Rio Linda Union School District's outstanding General Obligation Bonds Series, 1997. The bonds bears interest rates from 3.30% to 4.50% and is scheduled to mature on August 1, 2017. As of June 30, 2017, the principal amount outstanding was $1,675,000.

On November 5, 2002 Rio Linda Union Elementary School District issued General Obligation Bonds, 2002 Series A (Rio Linda 2002 Series A), in the amount of $14,640,000 current interest serial bonds and $759,791 capital appreciation bonds. The bonds were approved by the voters and are being used to finance the acquisition, construction, and modernization of certain capital facilities of the District. The bonds bear interest rates from 2.30% to 5.00% and were scheduled to mature through August 2027. In June 2012, $10,385,000 of the bonds were refunded. The remaining outstanding principal is scheduled to mature on August 1, 2017. As of June 30, 2017, the principal amount outstanding was $174,167.

On May 28, 2008, Grant Joint Union High School District issued General Obligation Revenue Bonds, Series 2008 (Grant 2008 Series) in the amount of $51,404,756 to finance specific construction and modernization projects approved by the voters. The Grant 2008 Series are authorized pursuant to the special election of the registered voters held on March 5, 2002, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds bear interest rates from 2.80% to 6.00% and are scheduled to mature through August 2042. As of June 30, 2017, the principal amount outstanding was $37,911,290.

On June 27, 2012, the District issued Refunding General Obligation Bonds, 2012 Series A, in the aggregate principal amount of $19,395,000 with an interest rate of 3.40% for the purpose of refunding a portion of Rio Linda Union School District's outstanding General Obligation Bonds, Series 2002 and North Sacramento School District's outstanding General Obligation Bonds, Series 2001 and Series 2003. The maturity date of the bonds is August 2032. As of June 30, 2017, the principal amount outstanding was $18,475,000.

On December 11, 2013, the District issued Refunding General Obligation Bonds, 2014 Series A, in the aggregate principal amount of $39,400,000 for the purpose of refunding a portion of Grant Joint Union School District's outstanding General Obligation Bonds, Series 2006. The bonds bear interest rates from 2.00% to 5.00% and are scheduled to mature through August 2030. As of June 30, 2017, the principal amount outstanding was $36,480,000.

The District's General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 11,563,971	$ 8,515,257	$ 20,079,228
2019	9,977,500	9,017,026	18,994,526
2020	8,434,927	10,747,589	19,182,516
2021	9,196,396	10,728,095	19,924,491
2022	10,373,167	10,529,743	20,902,910
2023-2027	62,318,395	44,443,244	106,761,639
2028-2032	58,124,074	49,612,029	107,736,103
2033-2037	34,716,068	82,140,774	116,856,842
2038-2042	49,942,468	93,961,911	143,904,379
2043-2044	38,815,000	2,169,386	40,984,386
Totals	$ 293,461,966	$ 321,865,054	$ 615,327,020

Certificates of Participation

On July 11, 2007, Grant Joint Union High School District issued $133,000,000 of Certificates of Participation (2007 Certificates), with interest rates ranging from 3.0% to 4.5%, for the construction, reconstruction, rehabilitation or replacement of certain school facilities, including the furnishing and equipping of certain school facilities, and the acquisition of land necessary for certain such facilities. During the year ended June 30, 2010, the 2007 Certificates were restructured. During the year ended June 30, 2013, the 2007 Certificates were again restructured, with payments commencing June 1, 2018, with maturity remaining in June 1, 2041. In November 2016, $48,585,000 of the 2007 Certificates outstanding were prepaid and retired with the issuance of the 2016 Series General Obligation Bonds. As of June 30, 2017, the principal amount outstanding of the 2007 Certificates was $47,350,000.

On June 30, 2003, Grant Joint Union High School District issued $36,000,000 of Certificates of Participation (2003 Certificates), with an interest rate of 3.45%, for the acquisition, construction, installation, and improvement of certain school facilities and the acquisition of land within the District. As of July 1, 2014, the 2003 Certificates were refinanced. During the year ended June 30, 2017, the 2003 issue was paid off.

The District's future principal obligations on the 2007 Certificates are as follows:

Year Ending June 30,	Total Payments
2037	$ 7,335,000
2038-2041	39,995,000
Totals	$ 47,350,000

Qualified Zone Academy Bonds (QZAB)

In December 2005, Del Paso Heights School District issued Qualified Zone Academy Bonds (QZABs) in the amount of $1,000,000. The certificates have no interest component and the principal is due in December 2020. As of June 30, 2017, the principal amount outstanding was $1,000.000.

In December 2005, Grant Joint Union High School District issued QZABs in the amount of $5,000,000. The certificates have no interest component and the principal is due in December 2020. As of June 30, 2017, the principal amount outstanding was $5,000,000.

In November 2003, Grant Joint Union High School District issued QZABs in the amount of $5,000,000. The certificates have no interest component and the principal is due November 2018. As of June 30, 2017, the principal amount outstanding was $5,000,000.

The District's future payments on the QZABs and are as follows:

Year Ending June 30,	Payment
2019	$ 5,000,000
2021	6,000,000
Totals	$ 11,000,000

Capitalized Lease Obligations

The District leases office equipment and vehicles under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	Payment
2018	$ 1,700,018
2019	890,070
2020	364,140
2021	364,140
2018	121,381
Total	3,439,749
Less amount representing interest	(171,959)
Totals	$ 3,267,790

Early Retirement Incentive Program

Public Agency Retirement Services (PARS) made available to the District a supplementary retirement plan, a retirement incentive program supplementing STRS/PERS, and qualifying under the relevant sections of Section 403(b) of the Internal Revenue Code. The amount of the incentive is sixty percent of the eligible employee's final base salary. The incentive amount is contributed by the District into the employee's 403(b) account, in annual amounts of 12% per year, over a period of 5 years. District contributions to the former employee's 403(b) account shall not be considered creditable compensation for CalPERS and CalSTRS purposes. The annual requirements to amortize the liability outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	Payment
2018	$ 1,121,256
2019	1,121,256
2020	1,121,256
Totals	$ 3,363,768

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2017 is shown below:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	$ 245,265,881	$ 161,261,032	$ (113,064,947)	$ 293,461,966	$ 11,563,971
Accreted interest	16,353,061	1,936,284	(4,872,399)	13,416,946	525,833
Unamortized premiums	3,156,090	12,694,453	(1,201,912)	14,648,631	868,944
Certificates of Participation	118,825,000		(71,475,000)	47,350,000	
QZAB	11,000,000			11,000,000	
Capitalized lease obligations	4,934,213		(1,666,423)	3,267,790	1,611,920
Compensated absences	1,740,831		(44,454)	1,696,377	
PARS Early Retirement Incentive	4,485,024		(1,121,256)	3,363,768	1,121,256
Total	$ 405,760,100	$ 175,891,769	$ (193,446,391)	$ 388,205,478	$ 15,691,924

8. FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Special Revenue for Capital Outlay Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Nonspendable:							
Revolving cash fund	$ 105,000						$ 105,000
Prepaid expenditures	3,520					$ 840	4,360
Stores inventory	573,276					230,700	803,976
Subtotal	681,796					231,540	913,336
Restricted:							
Instruction	9,315,279						9,315,279
Child development						480,581	480,581
Cafeteria						1,846,982	1,846,982
Capital projects				$ 733,334			733,334
QZAB payments				10,347,378			10,347,378
Debt service					$ 18,187,300		18,187,300
Adult education						1,033,447	1,033,447
Subtotal restricted	9,315,279			11,080,712	18,187,300	3,361,010	41,944,301
Assigned:							
Deferred maintenance						6,896,201	6,896,201
Adult education						219,967	219,967
Capital projects		$ 74,590	$13,211,128	5,889,247		5,285,156	24,460,121
COP payments		7,645,035					7,645,035
Salary and benefits negotiated	12,334,882						12,334,882
Instructional materials	3,374,559						3,374,559
LCFF Supplemental Including Charter	2,331,657						2,331,657
Site base allocation	1,342,849						1,342,849
VOIP project	702,798						702,798
ROC/P	692,671						692,671
Facilities/rental fee	462,582						462,582
Art and music	260,194						260,194
Postemployment benefits	1,472,853						1,472,853
Other assignments	1,160,929						1,160,929
Subtotal assigned	24,135,974	7,719,625	13,211,128	5,889,247		12,401,324	63,357,298
Unassigned:							
Unappropriated	427,601						427,601
Designated for economic uncertainty	15,000,000						15,000,000
Subtotal unassigned	15,427,601						15,427,601
Total fund balances	$49,560,650	$ 7,719,625	$13,211,128	$16,969,959	$ 18,187,300	$ 15,993,874	$121,642,536

9. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2017, was 12.58% of annual pay. District contributions to the CalSTRS Plan were $16,221,029 for the year ended June 30, 2017.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 4.311% in 2016-17. The increased contributions end as of fiscal year 2046-47. The State contribution rate for the period ended June 30, 2017, was 8.828% of the District's 2014-15 creditable CalSTRS compensation.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to the measurement date of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return[1]	7.60%
Mortality[2]	CalSTRS' Membership Data
	2% simple for DB (Annually)
	Maintain 85% purchasing power Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

[1] Net of investment expenses, but gross of administrative expenses.
[2] CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board on 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

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%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Schools Pool Plan) and the Twin Rivers Unified School District Safety Police Plan (CalPERS Safety Plan), cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, collectively referred to as the CalPERS Plans. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plans are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service. CalPERS Safety Plan also has two benefit structures as a result of PEPRA and they are 1) CalPERS 3% at 50 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2.7% at 57– Members first hired on or after January 1, 2013, to perform CalPERS creditable activities.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plans' actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2017, were 13.888% and 26.293% of annual pay for the CalPERS Schools Pool Plan and the CalPERS Safety Plan, respectively. District contributions to the CalPERS Plans were $7,517,666 for the year ended June 30, 2017.

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases[(1)]	Varies
Investment Rate of Return[(2)]	7.65%
Mortality[(3)]	CalPERS' Membership Data
Post-Retirement Benefit Increase[(4)]	Up to 2.75%

[(1)] Depending on age and service
[(2)] Net of pension plan investment; includes inflation
[(3)] The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the April 2014 experience study report.
[(4)] Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the CalPERS Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the amortization and smoothing periods recently adopted by the Board were used. A projection of expected benefit payments and contributions was performed for the Plan to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plans. The results of the crossover testing for the CalPERS Plans are presented in a detailed report that can be obtained from the CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[a]	Real Return Years 11+[b]
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

[a] An expected inflation of 2.5% was used for this period.
[b] An expected inflation of 3.0% was used for this period.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	$ 201,393,690
CalPERS Schools Pool Plan	75,208,236
CalPERS Safety Plan	1,216,078
Total District net pension liability	277,818,004
State's proportionate share of CalSTRS net pension liability associated with the District	114,753,366
Total	$ 392,571,370

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2016, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2016, was 0.249%, 0.3808% and 0.0350% for the CalSTRS, CalPERS Schools Pool, and CalPERS Safety Plans, respectively, which was a decrease of 0.006%, 0.0348% and an increase of 0.006%, respectively, from its proportion measured as of June 30, 2015 for CalSTRS, CalPERS Schools Pool and CalPERS Safety Plans, respectively.

For the year ended June 30, 2017, the District recognized pension expense of $21,309,990 and revenue of $11,115,573 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,246,933	$ (4,915,579)
Changes in assumptions		(2,375,530)
Changes in proportion		(8,011,322)
Change in proportionate share of contributions	204,768	(91,768)
Net differences between projected and actual investment earnings of pension plan investments	28,284,185	
District contributions subsequent to measurement date	23,738,695	
Total	$ 55,474,581	$ (15,394,199)

The $23,738,695 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	$ (1,275,955)
2019	(1,110,496)
2020	12,799,961
2021	8,097,491
2022	(1,109,964)
Thereafter	(1,059,350)

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

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, 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:

	Discount Rate –1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 289,850,940	$ 201,393,690	$ 127,926,240

	Discount Rate –1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the CalPERS Schools Pool Plan's net pension liability	$ 112,211,106	$ 75,208,236	$ 44,396,064
District's proportionate share of the CalPERS Safety Plan's net pension liability	$ 1,894,618	$ 1,216,078	$ 655,299

OTHER POSTEMPLOYMENT BENEFIT PLAN

In addition to the pension benefits, the District provides postretirement healthcare benefits to employees who retire from the District after attaining age 55, with at least 10 years of District service for classified employees and 15 years of service for certificated employees. The District contributes 100% of the District cap for the single premium through age 65. As of June 30, 2017, 262 retirees met these eligibility requirements and are receiving benefits.

The June 30, 2017 contributions consist of $1,423,756 postemployment benefits for current retirees on a pay-as-you-go basis.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2017, expenditures of $3,435,190 were recognized for the OPEB expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. If applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Projected unit credit
Amortization method	Level dollar over an open 30 years
Remaining amortization period at June 30, 2017	30
Discount rate assumption	4.0%
Return on assets	3.0%
Health inflation assumption	4-6%

Annual required contribution	$	3,261,113
Interest on net OPEB obligation		1,489,549
Adjustment to annual required contribution		(1,315,472)
Annual OPEB expense		3,435,190
Contributions made:		
Payment to insurers/retirees		(1,423,756)
Increase in OPEB obligation		2,011,434
Net OPEB obligation at June 30, 2016		33,101,097
Net OPEB obligation at June 30, 2017	$	35,112,531

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for June 30, 2017 and the preceding years is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/15	$ 5,857,391	23.96%	$ 28,692,819
6/30/16	$ 6,057,819	27.23%	$ 33,101,097
6/30/17	$ 3,435,190	41.45%	$ 35,112,531

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2016, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/16	$ 0	$38.0 million	$ 38.0 million	0.0%	$189.6 million	20.0%

10. JOINT VENTURES (Joint Powers Agreements)

The District participates in two joint ventures under a joint powers agreement (JPA) with the Schools Insurance Authority (SIA) and School Project for Utility Rate Reduction (SPURR). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

SIA arranges for and provide workers' compensation, property and liability insurance coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

SPURR provides natural gas, electricity procurement and energy expense management and conservation to its member districts. The District is a member with a large number of other districts in the State of California. SPURR is governed by a board consisting of representatives from various member districts. The governing board has decision-making authority, which includes the power to designate management and the ability to significantly influence operations.

NATURE OF PARTICIPATION

1. Workers' Compensation

JPA's SIR:	Self-Insured/Statutory x $1,000,000 SIR
Insurance:	State Compensation Insurance Fund

2. Liability

JPA's SIR:	$750,000
Reinsurance:	General Reinsurance $750,001 to $10,000,000
Excess Insurance:	$10,000,001 to $20,000,000 with National Casualty Co.
	$20,000,001 to $25,000,000 with Berkeley National Insurance Co.

3. Property

District Deductible:	$5,000
JPA's SIR:	$5,001 to $100,000
Reinsurance:	Lexington Insurance Company
	Excess of $100,000 to $500,000,000
	(Boiler & Machinery: $100,000,000 per occurrence)

4. Fidelity Bond

District Deductible:	$5,000
Insurance:	$5,001 to $5,000,000
	National Union Fire Insurance Co.

Condensed unaudited financial information of SIA is as follows:

	SIA June 30, 2017
Total Assets	$ 140,450,093
Total Deferred Outflows of Resources	1,580,594
Total Liabilities	(67,894,697)
Total Deferred Inflows of Resources	(253,160)
Total Net Position	$ 73,882,830
Total Revenues	$ 54,917,755
Total Expenses	(47,903,083)
Increase in Net Position	$ 7,014,672

Condensed unaudited financial information of SPURR is as follows:

	SPURR June 30, 2016
Total Assets	$ 11,805,370
Total Liabilities	(6,302,506)
Total Net Position	$ 5,502,864
Total Revenues	$ 31,913,550
Total Expenses	(31,957,672)
Decrease in Net Position	$ (44,122)

Complete separate financial statements for the JPAs may be obtained from the District, 5115 Dudley Blvd, McClellan, CA, 95652.

11. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/12	$ 379,383	$ 43.0 million	$ 42.7 million	0.8%	$ 147.4 million	28.9%
7/1/14	$ 431,719	$ 55.9 million	$ 55.5 million	0.8%	$ 180.1 million	30.8%
7/1/16	$ 0	$38.0 million	$ 38.0 million	0.0%	$189.6 million	20.0%

TWIN RIVERS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES:				
State apportionment	$ 224,123,311	$ 225,484,043	$ 220,840,999	$ (4,643,044)
Local sources	30,465,815	30,192,866	35,016,064	4,823,198
Total local control funding formula	254,589,126	255,676,909	255,857,063	180,154
Federal revenues	23,063,077	30,555,811	22,852,183	(7,703,628)
Other state revenues	17,010,570	31,339,634	28,223,449	(3,116,185)
Other local revenues	12,741,441	19,079,427	19,352,005	272,578
Total revenues	307,404,214	336,651,781	326,284,700	(10,367,081)
EXPENDITURES:				
Certificated personnel salaries	135,234,400	137,212,364	130,238,070	6,974,294
Classified personnel salaries	45,314,074	47,445,185	47,236,591	208,594
Employee benefits	52,650,192	63,139,796	61,761,525	1,378,271
Books and supplies	18,453,455	37,260,642	19,613,463	17,647,179
Services and other operating expenditures	41,747,471	58,191,699	42,613,716	15,577,983
Capital outlay	1,934,197	8,512,190	5,481,553	3,030,637
Other outgo	1,829,606	2,080,099	1,949,448	130,651
Allocation of indirect costs	(1,455,015)	(1,452,171)	(1,435,195)	(16,976)
Debt service	1,656,648	1,656,648	1,656,374	274
Total expenditures	297,365,028	354,046,452	309,115,545	44,930,907
Excess (deficiency) of revenues over expenditures	10,039,186	(17,394,671)	17,169,155	34,563,826
OTHER FINANCING SOURCES (USES):				
Interfund transfers in (out)	(15,891,583)	(12,349,827)	(12,349,827)	
Net increase (decrease) in fund balance	(5,852,397)	(29,744,498)	4,819,328	34,563,826
Fund balance – beginning	44,741,322	44,741,322	44,741,322	
Fund balance – ending	$ 38,888,925	$ 14,996,824	$ 49,560,650	$ 34,563,826

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalSTRS Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	.249%	.255%	.251%
District's proportionate share of the net pension liability	$ 201,393,690	$ 171,676,200	$ 146,676,870
State's proportionate share of the net pension liability associated with the District	114,753,366	90,751,924	88,435,333
Total	$ 316,147,056	$ 262,428,124	$ 235,112,203
District's covered-employee payroll	$ 124,614,804	$ 120,962,849	$ 64,892,648
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162%	142%	226%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalPERS Schools Pool Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	.381%	.416%	.438%
District's proportionate share of the net pension liability	$ 75,208,236	$ 61,259,850	$ 49,712,312
District's covered-employee payroll	$ 45,649,296	$ 43,294,482	$ 40,994,736
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165%	141%	121%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalPERS Safety Plan

	Measurement Date		
	2016	**2015**	**2014**
District's proportion of the net pension liability	.035%	.034%	.034%
District's proportionate share of the net pension liability	$ 1,216,078	$ 1,416,484	$ 1,284,778
District's covered-employee payroll	$ 1,088,565	$ 1,491,812	$ 1,269,717
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112%	95%	101%
Plan fiduciary net position as a percentage of the total pension liability	78%	78%	83%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 16,221,029	$ 13,356,804	$ 10,743,604
Contributions in relation to the contractually required contributions	(16,221,029)	(13,356,804)	(10,743,604)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 129,012,069	$ 124,614,804	$ 120,962,849
Contributions as a percentage of covered-employee payroll	13%	11%	9%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalPERS Schools Pool Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 6,969,080	$ 5,288,779	$ 5,332,475
Contributions in relation to the contractually required contributions	(6,969,080)	(5,288,779)	(5,332,475)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 50,438,371	$ 45,649,296	$ 43,294,482
Contributions as a percentage of covered-employee payroll	14%	12%	12%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalPERS Safety Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 548,586	$ 569,178	$ 638,535
Contributions in relation to the contractually required contributions	(548,586)	(569,178)	(638,535)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 1,579,574	$ 1,612,209	$ 1,491,812
Contributions as a percentage of covered-employee payroll	35%	35%	43%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

ADDITIONAL INFORMATION SECTION

TWIN RIVERS UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
ALL NON-MAJOR GOVERNMANTAL FUNDS
JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Non-Major Funds
ASSETS:						
Cash and equivalents	$ 776,000	$ 891,532	$ 135,915	$ 6,590,208	$ 5,308,472	$ 13,702,127
Accounts receivable	414,623	685,253	3,769,486	68,392	20,422	4,958,176
Due from other funds	125,713	30,478	27,664	1,896,380		2,080,235
Inventories			230,700			230,700
Prepaid expenditures	840					840
Total assets	$ 1,317,176	$ 1,607,263	$ 4,163,765	$ 8,554,980	$ 5,328,894	$ 20,972,078
LIABILITIES:						
Accounts payable	$ 43,128	$ 295,622	$ 167,983	$ 1,643,379	$ 43,738	$ 2,193,850
Due to other funds	19,794	155,968	1,828,100	15,400		2,019,262
Unearned revenue		675,092	90,000			765,092
Total liabilities	62,922	1,126,682	2,086,083	1,658,779	43,738	4,978,204
FUND BALANCES:						
Nonspendable	840		230,700			231,540
Restricted	1,033,447	480,581	1,846,982			3,361,010
Assigned	219,967			6,896,201	5,285,156	12,401,324
Total fund balances	1,254,254	480,581	2,077,682	6,896,201	5,285,156	15,993,874
Total liabilities and fund balances	$ 1,317,176	$ 1,607,263	$ 4,163,765	$ 8,554,980	$ 5,328,894	$ 20,972,078

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Non-Major Funds
REVENUES:						
State apportionment				$ 1,896,380		$ 1,896,380
Federal revenues	$ 560,253	$ 1,856,904	$ 16,094,464			18,511,621
Other state revenues	3,020,607	4,148,304	1,081,670			8,250,581
Other local revenues	8,582	1,040,646	1,035,494	167,951	$ 1,974,462	4,227,135
Total revenues	3,589,442	7,045,854	18,211,628	2,064,331	1,974,462	32,885,717
EXPENDITURES:						
Current:						
Instruction	1,961,743	4,792,416				6,754,159
Instruction-related services:						
Supervision of instruction	342,019	774,704				1,116,723
Instructional library, media, and technology						
School site administration	466,175	270,347				736,522
Pupil services:						
Food services			17,605,221			17,605,221
Other pupil services	241,831	436,170				678,001
General administration:						
Other general administration	169,870	393,011	872,314		55,124	1,490,319
Plant services	140,545	193,736	151,121	1,315,186		1,800,588
Debt service:						
Principal			23,233	100,012		123,245
Interest and other charges			1,383	21,368		22,751
Capital outlay		33,842		14,786,531	138,257	14,958,630
Total expenditures	3,322,183	6,894,226	18,653,272	16,223,097	193,381	45,286,159
Excess (deficiency) of revenues over expenditures	267,259	151,628	(441,644)	(14,158,766)	1,781,081	(12,400,442)
OTHER FINANCING SOURCES (USES):						
Interfund transfers out	(300,000)			(13,528,382)		(13,828,382)
Interfund transfers in		30,001		13,569,270		13,599,271
Total other financing sources and (uses)	(300,000)	30,001		40,888		(229,111)
Increase (decrease) in fund balances	(32,741)	181,629	(441,644)	(14,117,878)	1,781,081	(12,629,553)
Fund balances - beginning	1,286,995	298,952	2,519,326	21,014,079	3,504,075	28,623,427
Fund balances - ending	$ 1,254,254	$ 480,581	$ 2,077,682	$ 6,896,201	$ 5,285,156	$ 15,993,874

SUPPLEMENTARY INFORMATION SECTION

TWIN RIVERS UNIFIED SCHOOL DISTRICT

ORGANIZATION
JUNE 30, 2017

Twin Rivers Unified School District was established on July 1, 2008 from the unification of four prior districts. Twin Rivers Unified School District is located primarily in Sacramento County and partially in Placer County. There were no changes in the boundaries of the District during the current year. The District is currently operating four high schools, five middle schools and twenty-seven elementary schools. The District also operates two alternative high schools, a special education center, an independent learning center, adult education center, an opportunity school, community day school, preschools and three dependent charter schools.

GOVERNING BOARD

Name	Office	Term Expires
Ms. Michelle Rivas	President	June 30, 2018
Ms. Linda Fowler J.D.	Vice President	June 30, 2020
Mr. Michael Baker	Board Clerk	June 30, 2020
Mr. Bob Bastian	Trustee	June 30, 2018
Mr. Basim Elkarra	Trustee	June 30, 2020
Ms. Ramona Landeros	Trustee	June 30, 2020
Ms. Rebecca Sandoval	Trustee	June 30, 2018

ADMINISTRATION

Dr. Steven Martinez
Superintendent

Bill McGuire
Deputy Superintendent

Dr. Sara Noguchi
Associate Superintendent

Kate Ingersoll
Executive Director Fiscal Services

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Grades TK/Kindergarten through Grade 3	7,980	7,990
Grades 4 through 6	5,723	5,715
Grades 7 and 8	3,086	3,067
Special Education	31	36
Community Day School	13	13
Extended Year ADA	18	18
Elementary Totals	16,851	16,839
High School:		
Grades 9 through 12, Regular Classes	5,754	5,694
Special Education	38	42
Extended Year ADA	8	8
High School Totals	5,800	5,744
ADA Totals	22,651	22,583

See the accompanying notes to supplementary information.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

CHARTER SCHOOLS - CLASSROOM BASED

Creative Connections Arts Academy	Second Period Report	Annual Report
Elementary:		
Grades TK/Kindergarten through Grade 3	199	198
Grades 4 through 6	166	166
Grades 7 and 8	128	127
Elementary Totals	493	491
High School:		
Grades 9 through 12, Regular Classes	139	137
High School Total	139	137
ADA Totals	632	628
Smythe Academy of Arts and Sciences		
Elementary:		
Grades TK/Kindergarten through Grade 3	351	351
Grades 4 through 6	273	272
Grades 7 and 8	447	443
Elementary Totals	1,071	1,066
ADA Totals	1,071	1,066
Westside Preparatory Charter School		
Elementary:		
Grades 7 and 8	344	342
Elementary Totals	344	342
ADA Totals	344	342
ADA Totals - Charter Schools		
Elementary:		
Grades TK/Kindergarten through Grade 3	550	549
Grades 4 through 6	439	438
Grades 7 and 8	919	912
Elementary Totals	1,908	1,899
High School::		
Grades 9 through 12, Regular Classes	139	137
High School Total	139	137
ADA Totals	2,047	2,036

See the accompanying notes to supplementary information.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

Charter School	Date Established	Included/Not Included
Twin Rivers Unified School District operates three Charter Schools as follows:		
Creative Connections Arts Academy	8/22/05	Included in General Fund
Smythe Academy of Arts & Sciences	8/28/06	Included in General Fund
Westside Preparatory Charter School	7/31/95	Included in General Fund
Twin Rivers Unified School District also sponsors seven Independent Charter Schools as follows:		
Community Collaborative Charter	8/23/05	Separate Audit Report
Community Outreach Academy	9/25/03	Separate Audit Report
Futures High School	8/24/04	Separate Audit Report
Heritage Peak Charter School	8/15/05	Separate Audit Report
Higher Learning Academy	8/20/07	Separate Audit Report
Highlands Community Charter School	7/01/14	Separate Audit Report
Sacramento Academic and Vocational Academy	8/20/07	Separate Audit Report

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Instructional Days Offered	Status
DISTRICT				
Kindergarten	36,000	55,172	180	In Compliance
Grade 1	50,400	55,172	180	In Compliance
Grade 2	50,400	55,172	180	In Compliance
Grade 3	50,400	55,172	180	In Compliance
Grade 4	54,000	55,172	180	In Compliance
Grade 5	54,000	55,172	180	In Compliance
Grade 6	54,000	55,172	180	In Compliance
Grade 7	54,000	61,080	180	In Compliance
Grade 8	54,000	61,080	180	In Compliance
Grade 9	64,800	66,360	180	In Compliance
Grade 10	64,800	66,360	180	In Compliance
Grade 11	64,800	66,360	180	In Compliance
Grade 12	64,800	66,360	180	In Compliance

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Required Minutes	2016-17 Actual Minutes	Number of Instructional Days Offered	Status
CREATIVE CONNECTIONS ARTS ACADEMY - CLASSROOM BASED				
Kindergarten	36,000	55,172	180	In Compliance
Grade 1	50,400	55,172	180	In Compliance
Grade 2	50,400	55,172	180	In Compliance
Grade 3	50,400	55,172	180	In Compliance
Grade 4	54,000	55,172	180	In Compliance
Grade 5	54,000	55,172	180	In Compliance
Grade 6	54,000	55,172	180	In Compliance
Grade 7	54,000	61,080	180	In Compliance
Grade 8	54,000	61,080	180	In Compliance
Grade 9	64,800	66,360	180	In Compliance
Grade 10	64,800	66,360	180	In Compliance
Grade 11	64,800	66,360	180	In Compliance
Grade 12	64,800	66,360	180	In Compliance
SMYTHE ACADEMY OF ARTS AND SCIENCES - CLASSROOM BASED				
Kindergarten	36,000	55,172	180	In Compliance
Grade 1	50,400	55,172	180	In Compliance
Grade 2	50,400	55,172	180	In Compliance
Grade 3	50,400	55,172	180	In Compliance
Grade 4	54,000	55,172	180	In Compliance
Grade 5	54,000	55,172	180	In Compliance
Grade 6	54,000	55,172	180	In Compliance
Grade 7	54,000	61,080	180	In Compliance
Grade 8	54,000	61,080	180	In Compliance
WESTSIDE PREPARATORY CHARTER SCHOOL - CLASSROOM BASED				
Grade 7	54,000	61,110	180	In Compliance
Grade 8	54,000	61,110	180	In Compliance

See the accompanying notes to supplementary information.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2017

GENERAL FUND – GAAP BASIS

	June Adopted Budget 2018	2017	2016	2015
Revenues and other financial sources	$ 306,856,045	$ 326,284,700	$ 318,584,502	$ 278,527,972
Expenditures	302,647,750	309,115,545	280,977,512	273,312,271
Other uses and transfers out	10,000,000	12,349,827	32,091,618	9,532,634
Total outgo	312,647,750	321,465,372	313,069,130	282,844,905
Change in fund balance	(5,791,705)	4,819,328	5,515,372	(4,316,933)
Ending fund balance	$ 43,768,945	$ 49,560,650	$ 44,741,322	$ 39,225,950
Available reserves[1]	$ 9,697,827	$ 15,427,602	$ 15,385,965	$ 15,778,835
Designated for economic uncertainties	$ 9,697,827	$ 15,000,000	$ 15,000,000	$ 15,000,000
Unassigned fund balance	$	$ 427,602	$ 385,965	$ 778,835
Available reserves as a percentage of total outgo	3.1%	4.8%	4.9%	5.7%
Total long-term debt	$ 685,444,089	$ 701,136,013	$ 673,213,731	$ 642,234,108
Average daily attendance at P-2	22,600	22,651	22,744	22,809
Average daily attendance at P-2 Charters	2,051	2,047	2,010	2,021

[1] Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

The General Fund balance has increased by $10,334,700 over the past two years. However, $14,666,539 of the 2016-17 ending fund balance is assigned for negotiation settlement. For a district this size, the State of California recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses. The District has met this requirement.

The District has incurred an operating surplus in two of the past three years, and anticipates incurring an operating deficit in 2017-18.

Total long-term liabilities have increased by $58,986,446 over the past two years.

District and Charters average daily attendance has decreased by 132 over the past two years. A decrease of 47 ADA is projected for 2017-18.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs (NSL Sec 4)	10.555	13391	$ 13,490,200
Child Nutrition: School Programs - Commodities	10.555	N/A	975,656
Child Nutrition: Summer Food Service Sponsor Admin	10.559	13006	216,429
Subtotal Child Nutrition Cluster			14,682,285
Child Nutrition: Child Care Food Program (CCFP)	10.558	13393	1,894,478
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	506,606
Child Nutrition: HealthierUS School Challenge grant	10.574	N/A	440
Total U.S. Department of Agriculture			17,083,809
U.S. Department of Education:			
Passed-Through CDE:			
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,940,866
IDEA Basic Local Assistance Entitlement, Part B, Section 611, Private School ISPs	84.027	10115	9,996
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	134,681
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	419,887
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	318,776
Subtotal Special Education Cluster (IDEA)			5,824,206
Adult Education:			
Adult Education Adult Secondary Education (Section 231)	84.002	13978	151,969
Adult Education Adult Basic Education & ESL (Section 231)	84.002A	14508	141,685
Adult Education English Literacy & Civics Education - Local Grant (Section 231)	84.002A	14109	26,745
Subtotal Adult Education passed-through CDE			320,399
Title III, Limited English Proficient (LEP) Student Program:			
Title III, LEP Student Program	84.365	15146	52,022
Title III, LEP Student Program	84.365	14346	755,803
Subtotal Title III, LEP Student Program			807,825
NCLB: Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,497,366
Title I Basic Grants Low-Income and Neglected	84.010	14329	13,848,553
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	238,305
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	128,949
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	10088	10,771
Total U.S Department of Education			22,676,374

The accompanying notes are an integral part of these financial statements.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Environmental Protection Agency			
Environmental Education Grant: Generation Green	66.951	N/A	30,321
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	1,836
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Adult Education: Refugee Employment Social Services, Vocational ESL, and Employment Services (Section 231)	93.566	N/A	172,483
Adult Education Vocational ESL and On the Job Training	93.584	N/A	92,045
Child Care and Development Block Grant	93.575	13609	97,491
Pregnancy Assistance Fund Program	93.550	N/A	45,503
Head Start	93.600	10016	1,759,413
Medical Assistance Program	93.778	10013	419,622
Total U.S. Department of Health and Human Services			2,586,557
Total Expenditures of Federal Awards			$ 42,378,897

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2017

Description	First 5 Grant
Revenues:	
First 5 Sacramento Funds	$ 890,126
Transfers from the District General Fund	10,327
Total Revenues	900,453
Expenditures:	
Certificated personnel salaries	341,067
Classified personnel salaries	246,987
Employee benefits	190,434
Books and supplies	21,239
Services and other operating expenditures	44,502
Overhead charges	56,224
Total Expenditures	900,453
Excess of Expenditures over Revenues	$

See the accompanying notes to supplementary information.

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

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

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2017, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subreceipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2017.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

G. SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES

This schedule provides information about the First 5 Sacramento County Program.

OTHER INDEPENDENT AUDITOR'S REPORTS

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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*

Independent Auditor's Report

Board of Trustees
Twin Rivers Unified School District
McClellan, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Rivers Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 13, 2017

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REPORT ON COMPLIANCE FOR THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of Trustees
Twin Rivers Unified School District
McClellan, California

Report on Compliance for First 5 Sacramento County Program

We have audited Twin Rivers Unified School District's (the District) compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on Twin Rivers Unified School District's First 5 Sacramento County Program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and terms and conditions of its contracts and grants applicable to its First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Twin Rivers Unified School District's First 5 Sacramento County Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Twin Rivers Unified School District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the First 5 Sacramento County Program. However, our audit does not provide a legal determination of Twin Rivers Unified School District's compliance with those requirements.

Opinion on Compliance with Requirements for First 5 Sacramento County Program

In our opinion, Twin Rivers Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the First 5 Sacramento County Program. In planning and performing our audit of compliance, we considered Twin Rivers Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the First 5 Sacramento County Program. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 13, 2017

Gilbert Associates, Inc.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Trustees
Twin Rivers Unified School District
McClellan, California

Report on Compliance for Each Major Federal Program

We have audited Twin Rivers Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 13, 2017

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2016-17 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

Independent Auditor's Report

Board of Trustees
Twin Rivers Unified School District
McClellan, California

Report on State Compliance

We have audited the Twin Rivers Unified School District's (the District) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule 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 under the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Yes
Immunizations	Not Applicable
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which is required to be reported in accordance with *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which is described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. These responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2017.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 13, 2017

FINDINGS AND RECOMMENDATIONS SECTION

TWIN RIVERS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None Reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None Reported

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

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

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173, 84.027A	Special Education Cluster (IDEA)
93.600	Head Start
10.558	Child Nutrition: Child Care Food Program (CCFP)

Dollar threshold used to distinguish between Type A and Type B programs: $1,271,367

Auditee qualified as low-risk auditee? __X__ Yes ____ No

State Awards

Internal control over State programs:
- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None Reported

Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies? __X__ Yes ____ No

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

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

STATE COMPLIANCE

2017-001. AFTER SCHOOL AND EDUCATION SAFETY PROGRAM (ASES) RECORDS – CDDC # 40000

Criteria:

California Education Code Section 8482.3(f)(10)(B) ASES program grantees must provide program attendance rates to the department semi-annually.

Condition:

Daily attendance records selected as part of our sample did not agree to the total students served as submitted to the California Department of Education for the following school sites:

Martin Luther King Junior Technology Academy
Kohler Elementary School

Effect:

ASES attendance reported to the district was not accurate. As a result of our testing the District revised the reporting data for the ASES program and excluded attendance that was not properly documented and supported. Our extended procedures over the revised data indicated that the revised attendance reporting did not fall below the threshold for full funding based on the pre-approved 3 year grant cycle. As a result, there are no questioned costs associated with this finding.

Cause:

The schools sites were not following the established ASES attendance reporting policy.

Recommendation:

We recommend that school site administrators adequately train ASES program providers and periodically monitor compliance with their ASES reporting policy to ensure submission of accurate ASES attendance reporting to the District office.

Corrective Action Plan/Management's Response:

Management conducted meetings on December 6, 2016, May 16, 2017, and July 31, 2017 with the companies that provide the ASES services at the sites to ensure that the proper procedures for reporting are followed. Annual quarterly meetings will occur with providers which will include the review of proper attendance procedures.

2017-002. AFTER SCHOOL AND EDUCATION SAFETY PROGRAM (ASES) EARLY RELEASE – CDDC # 40000

Criteria:

California Education Code Section 8482-8484.6 8483 (a)(1) and (2) Elementary school and middle school or junior high school pupils must participate in the full day of the program, except as allowed by the early release policy.

Condition:

Supporting documents for daily attendance records selected as part of our sample did not include a student's early release time and reason, as required by the District's early release policy, for the following school site:

Kohler Elementary School

Effect:

The number of students who were claimed for attendance that were granted an early release without documentation cannot be determined, as the entire student attendance was not supported by a sign-out sheet which would include any early release reasons. Questioned costs could not be calculated since the funding for this program is based on a pre-approved 3 year grant cycle, and is not based on a per ADA rate.

Cause:

The school was not properly following the District's written early release policy as the time and reason for a student's early release was not documented.

Recommendation:

We recommend school site administrators adequately train ASES program providers to ensure that reasons for early release have been documented. Furthermore, if no time and reason has been documented, we recommend the District office update the attendance data to ensure the day is not claimed for attendance.

Corrective Action Plan/Management's Response:

Management has provided sign-out sheets with early release codes to the providers of the ASES services. Management has also conducted meetings on December 6, 2016, May 16, 2017, and July 31, 2017 with providers to ensure that the proper procedures are followed. Annual quarterly meetings will occur with providers which will include the review of proper attendance procedures.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior year findings and recommendations.