



**SILVER VALLEY
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SILVER VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Silver Valley Unified School District
Yermo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Silver Valley Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 58, schedule of changes in the District's total OPEB liability and related ratios on page 59, schedule of the District's proportionate share of the net pension liability on page 60, and the schedule of District contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Silver Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the Silver Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Silver Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silver Valley Unified School District's internal control over financial reporting and compliance.

Savinick, Irwin, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2018



Silver Valley Unified School District

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This section of the Silver Valley Unified School District's (the District) 2017-2018, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The statement includes all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Silver Valley Unified School District.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT AS A WHOLE

The 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 and liabilities 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 them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, all the District's activities are reported as follows:

Governmental activities - The District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants finance these activities.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Fiduciary Funds - Statement of Net Position*. We exclude these activities from the District's other 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.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$4,031,559 for the fiscal year ended June 30, 2018. Of this amount, \$(27,036,780) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2018	2017 As restated
Assets		
Current and other assets	\$ 6,637,153	\$ 5,755,834
Capital assets	29,847,464	31,598,683
Total Assets	36,484,617	37,354,517
Deferred Outflows of Resources	9,428,812	6,709,117
Liabilities		
Current liabilities	3,390,354	4,330,255
Long-term obligations	6,107,727	5,468,428
Net pension liability	28,842,136	27,105,416
Total Liabilities	38,340,217	36,904,099
Deferred Inflows of Resources	3,541,653	1,674,307
Net Position		
Net investment in capital assets	29,847,464	31,598,683
Restricted	1,220,875	359,709
Unrestricted	(27,036,780)	(26,473,164)
Total Net Position	\$ 4,031,559	\$ 5,485,228

The \$(27,036,780) in unrestricted net position represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 2.13 percent (\$(27,036,780) compared to \$(26,473,164)).

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 324,465	\$ 300,970
Operating grants and contributions	5,071,729	4,201,981
General revenues:		
Federal and State aid not restricted	24,055,490	25,420,540
Property taxes	2,793,961	1,545,258
Other general revenues	817,835	1,022,141
Total Revenues	33,063,480	32,490,890
Expenses		
Instruction	18,629,211	19,854,951
Instruction-related	4,012,083	4,122,086
Pupil services	5,022,794	5,216,545
Administration	2,796,808	3,220,718
Plant services	4,052,918	4,565,493
Community services	3,335	3,552
Total Expenses	34,517,149	36,983,345
Change in Net Position	\$ (1,453,669)	\$ (4,492,455)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$34,517,149. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$2,793,961 because the cost was paid by those who benefited from the programs (\$5,071,729) or by other governments and organizations who subsidized certain programs with grants and contributions (\$324,465). We paid for the remaining "public benefit" portion of our governmental activities with \$24,873,325 in State funds and with other revenues, like interest and general entitlements.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and community services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 18,629,211	\$ 19,854,951	\$ 15,708,489	\$ 17,283,459
Instruction-related	4,012,083	4,122,086	3,702,510	3,926,386
Pupil services	5,022,794	5,216,545	3,294,865	3,497,229
Administration	2,796,808	3,220,718	2,771,729	3,204,275
Plant services	4,052,918	4,565,493	3,640,027	4,565,493
Community services	3,335	3,552	3,335	3,552
Total	\$ 34,517,149	\$ 36,983,345	\$ 29,120,955	\$ 32,480,394

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$3,246,799, which is an increase of \$1,856,875 from last year (Table 4).

Table 4

	Balances and Activities			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 1,356,645	\$ 31,070,271	\$ 29,759,409	\$ 2,667,507
Adult Education Fund	876	337,854	248,060	90,670
Child Development Fund	11	-	-	11
Cafeteria Fund	(32,411)	1,310,431	1,248,696	29,324
Capital Facilities Fund	51,800	4,576	16,592	39,784
Special Reserve Fund for Capital Outlay Projects	13,003	406,500	-	419,503
Total	\$ 1,389,924	\$ 33,129,632	\$ 31,272,757	\$ 3,246,799

Our General Fund is our principal operating fund. The fund balance in the General Fund increased mainly due to the District's implementation of a three-year Fiscal Action Plan. The Capital Outlay Projects increased as a result of the District's biennial funding it receives from Impact Aide. The activity in our Adult Education Fund is the result of new state revenue. The Cafeteria Fund balance increased due to reductions in their expenditures by joining a co-op with neighboring districts.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 58.)

- State Revenues from LCFF and other sources were recorded on a prior year guarantee basis due to declining enrollment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$29,847,464 in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1,751,219, or 5.5 percent, from last year.

Table 5

	Governmental Activities	
	2018	2017
Land	\$ 730,779	\$ 730,779
Land improvements	7,240,630	8,017,481
Buildings and improvements	21,422,299	22,237,899
Equipment	453,756	612,524
Total	\$ 29,847,464	\$ 31,598,683

No capital projects were planned for the 2017-2018 fiscal year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year and last year, the District had \$6,107,727 and \$5,468,428, respectively, in long-term obligations outstanding. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2018	2017 As restated
Compensated absences	\$ 117,517	\$ 119,498
Other postemployment benefits	5,990,210	5,348,930
Total	\$ 6,107,727	\$ 5,468,428

SILVER VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Net Pension Liability (NPL)

At year end, the District had a pension liability of \$28,842,136. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- The District successfully implemented year one of a three year Fiscal Action Plan resulting in a \$1.3M increase in our General Fund balance.
- The District adopted long awaited middle school math textbooks
- Utilizing Adult Education funding, the District was able to have a much needed new HVAC unit installed at the Alternative Education Center's multi-purpose room.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are the following:

- ADA projected to be 1,983 and funded on the Prior Year Guarantee.
- Federal Impact Aid to be funded without effect of sequestration, however cash flow is still determined by Congressional action since Impact Aid is not a forward funded program.

Expenditures are based on the following forecasts:

- 1.6 percent increase in salaries based on step and column.
- \$18,356 average premium cost of medical (includes dental, vision, life, and disability) premium on a fully insured plan.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades K - 3	24:1	823
Grades four through six	30:1	516
Grades seven and eight	30:1	258
Grades nine through twelve	30:1	423

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 any additional financial information, contact the Superintendent, at Silver Valley Unified School District, P.O. Box 847, Yermo, California, 92398, or e-mail at jnajera@svusdk12.net.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 2,954,593
Receivables	3,612,399
Prepaid expenses	3,426
Stores inventories	66,735
Capital assets	
Land and construction in process	730,779
Other capital assets	68,633,744
Less: Accumulated depreciation	(39,517,059)
Total Capital Assets	<u>29,847,464</u>
Total Assets	<u><u>36,484,617</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	9,130,623
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	<u>298,189</u>
Total Deferred Outflows of Resources	<u><u>9,428,812</u></u>
LIABILITIES	
Accounts payable	890,354
Current loans	2,500,000
Long-term obligations:	
Noncurrent portion of long-term obligations other than pensions	<u>6,107,727</u>
Aggregate net pension liability	<u>28,842,136</u>
Total Liabilities	<u><u>38,340,217</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>3,541,653</u>
NET POSITION	
Net investment in capital assets	29,847,464
Restricted for:	
Educational programs	670,926
Capital projects	459,287
Other activities	90,662
Unrestricted	<u>(27,036,780)</u>
Total Net Position	<u><u>\$ 4,031,559</u></u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 18,629,211	\$ -	\$ 2,920,722	\$ (15,708,489)
Instruction-related activities:				
Supervision of instruction	749,586	-	164,743	(584,843)
Instructional library, media, and technology	881,570	-	-	(881,570)
School site administration	2,380,927	-	144,830	(2,236,097)
Pupil services:				
Home-to-school transportation	1,816,559	-	236,893	(1,579,666)
Food services	1,282,540	324,465	730,835	(227,240)
All other pupil services	1,923,695	-	435,736	(1,487,959)
General administration:				
Data processing	171,503	-	-	(171,503)
All other general administration	2,625,305	-	25,079	(2,600,226)
Plant services	4,052,918	-	412,891	(3,640,027)
Community services	3,335	-	-	(3,335)
Total Governmental Activities	\$ 34,517,149	\$ 324,465	\$ 5,071,729	(29,120,955)
General revenues and subventions:				
				2,793,961
Property taxes, levied for general purposes				
Federal and State aid not restricted to specific purposes				24,055,490
Interest and investment earnings				101,471
Transfers between agencies				25,000
Miscellaneous				691,364
				<u>27,667,286</u>
				(1,453,669)
				Change in Net Position
Net Position - Beginning, As restated				5,485,228
Net Position - Ending				<u>\$ 4,031,559</u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 2,714,758	\$ 239,743	\$ 2,954,501
Receivables	3,114,646	497,753	3,612,399
Due from other funds	361,275	255,132	616,407
Prepaid expenditures	3,426	-	3,426
Stores inventories	47,411	19,324	66,735
Total Assets	\$ 6,241,516	\$ 1,011,952	\$ 7,253,468
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 818,877	\$ 71,477	\$ 890,354
Due to other funds	255,132	361,183	616,315
Current loans	2,500,000	-	2,500,000
Total Liabilities	3,574,009	432,660	4,006,669
Fund Balances:			
Nonspendable	100,837	29,324	130,161
Restricted	670,926	549,949	1,220,875
Assigned	300,000	19	300,019
Unassigned	1,595,744	-	1,595,744
Total Fund Balances	2,667,507	579,292	3,246,799
Total Liabilities and Fund Balances	\$ 6,241,516	\$ 1,011,952	\$ 7,253,468

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds	\$ 3,246,799
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 69,364,523
Accumulated depreciation is	(39,517,059)
Net Capital Assets	<u>29,847,464</u>
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:	
Pension contributions subsequent to measurement date	2,252,088
Net change in proportionate share of net pension liability	1,175,116
Differences between projected and actual earnings on pension plan investments	318,492
Differences between expected and actual experience in the measurement of the total pension liability	402,454
Changes of assumptions	<u>4,982,473</u>
Total Deferred Outflows of Resources Related to Pensions	9,130,623
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:	
Net change in proportionate share of net pension liability	(2,567,839)
Differences between projected and actual earnings on pension plan investments	(522,944)
Differences between expected and actual experience in the measurement of the total pension liability	(342,472)
Changes of assumptions	<u>(108,398)</u>
Total Deferred Inflows of Resources Related to Pensions	(3,541,653)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.	
	298,189
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	
	(28,842,136)
Long-term obligations at year-end consist of:	
Compensated absences (vacations)	117,517
Net other postemployment benefits (OPEB) liability	<u>5,990,210</u>
Total Long-Term Obligations	(6,107,727)
Total Net Position - Governmental Activities	<u><u>\$ 4,031,559</u></u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Local Control Funding Formula	\$ 18,096,043	\$ -	\$ 18,096,043
Federal sources	8,976,169	1,088,549	10,064,718
Other State sources	2,275,487	377,617	2,653,104
Other local sources	1,686,917	338,063	2,024,980
Total Revenues	31,034,616	1,804,229	32,838,845
EXPENDITURES			
Current			
Instruction	15,721,137	153,000	15,874,137
Instruction-related activities:			
Supervision of instruction	707,993	-	707,993
Instructional library, media, and technology	848,403	-	848,403
School site administration	2,185,477	40,321	2,225,798
Pupil services:			
Home-to-school transportation	1,725,431	-	1,725,431
Food services	-	1,248,696	1,248,696
All other pupil services	1,754,640	-	1,754,640
General administration:			
Data processing	165,972	-	165,972
All other general administration	2,532,271	-	2,532,271
Plant services	3,859,618	-	3,859,618
Community services	3,335	-	3,335
Facility acquisition and construction	-	71,331	71,331
Total Expenditures	29,504,277	1,513,348	31,017,625
Deficiency of Revenues Over Expenditures	1,530,339	290,881	1,821,220
Other Financing Sources (Uses)			
Transfers in	35,655	255,132	290,787
Transfers out	(255,132)	-	(255,132)
Net Financing Sources (Uses)	(219,477)	255,132	35,655
NET CHANGE IN FUND BALANCES	1,310,862	546,013	1,856,875
Fund Balances - Beginning	1,356,645	33,279	1,389,924
Fund Balances - Ending	\$ 2,667,507	\$ 579,292	\$ 3,246,799

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 1,856,875
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which depreciation exceeds capital outlay in the period.	
Depreciation expense	\$ (1,822,549)
Capital outlay	71,330
	<u>(1,751,219)</u>
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was less than the amounts used by \$1,981.	
	1,981
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	
	(1,182,560)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.	
	(343,091)
An internal service fund is used by the District's management to charge the costs of the health insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	
	<u>(35,655)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,453,669)</u></u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 92
	<hr/>
LIABILITIES	
Current Liabilities	
Due to other funds	92
	<hr/>
NET POSITION	
Total Net Position	<u><u>\$ -</u></u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities
	Internal Service Fund
NONOPERATING EXPENSES	
Transfers out	\$ (35,655)
Change in Net Position	<u>(35,655)</u>
Total Net Position - Beginning	<u>35,655</u>
Total Net Position - Ending	<u><u>\$ -</u></u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 26,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(35,655)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	95
Net Decrease in Cash and Cash Equivalents	(9,468)
Cash and Cash Equivalents - Beginning	9,560
Cash and Cash Equivalents - Ending	\$ 92
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Changes in assets and liabilities:	
Due from other funds	\$ 26,000
Due to other funds	92
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,092

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 61,665
LIABILITIES	
Accounts payable	\$ 1,902
Due to student groups	59,763
Total Liabilities	<u>\$ 61,665</u>

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Silver Valley Unified School District (the District) was unified in 1979 under the laws of the State of California. The District operates under a locally-elected five-member board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one elementary/middle school combination school, one middle school, one high school, a continuation high school, an adult education school, and an independent study program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the Silver Valley Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

The Deferred Maintenance Fund did not end the year with any fund balance; thus, the General Fund does not reflect a net change in fund balance.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operated a self-insurance program for health benefits in previous reporting periods. The run-off claims for the program are accounted for in an internal service fund.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all asset are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. 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, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the internal service fund and the restrictions on use.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary Funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in 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, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as that used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to other funds/due from other funds." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Current Loan

Current loans consist of amounts outstanding at June 30, 2018, for an Operational Advance from the County Superintendent of Schools. The advance was issued as a short-term obligation to provide cash flow needs.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, superintendent or chief business officer may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports \$1,220,875 of restricted net position, subject to enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 2,954,593
Fiduciary funds	61,665
Total Deposits and Investments	<u>\$ 3,016,258</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 70,667
Cash in revolving cash	60,000
Investments	2,885,591
Total Deposits and Investments	<u>\$ 3,016,258</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	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% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District maintains all collections of deposits and receipts in the San Bernardino County Treasury, an external investment pool. Exposure to interest rate risk is managed by the purchase of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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 investment with the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Rating Investor Services.

Investment Type	Reported Amount	Weighted Average Maturity
San Bernardino County Treasury Investment Pool	<u>\$ 2,885,591</u>	353

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balances were within the federally insured limits.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Reported Amount	Uncategorized
San Bernardino County Treasury Investment Pool	\$ 2,885,591	\$ 2,885,591

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	Governmental Activities		
	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 2,665,179	\$ 429,356	\$ 3,094,535
State Government			
Categorical aid	-	55,339	55,339
Lottery	88,000	-	88,000
Local Government			
Due from SELPA	263,562	-	263,562
Interest	18,125	885	19,010
Other Local Sources	79,780	12,173	91,953
Total	<u>\$ 3,114,646</u>	<u>\$ 497,753</u>	<u>\$ 3,612,399</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 730,779	\$ -	\$ -	\$ 730,779
Capital Assets Being Depreciated				
Land improvements	15,919,885	71,330	-	15,991,215
Buildings and improvements	43,891,943	-	-	43,891,943
Furniture and equipment	8,860,638	-	110,052	8,750,586
Total Capital Assets Being Depreciated	68,672,466	71,330	110,052	68,633,744
Less Accumulated Depreciation				
Land improvements	7,902,404	848,181	-	8,750,585
Buildings and improvements	21,654,044	815,600	-	22,469,644
Furniture and equipment	8,248,114	158,768	110,052	8,296,830
Total Accumulated Depreciation	37,804,562	1,822,549	110,052	39,517,059
Governmental Activities Capital Assets, Net	\$ 31,598,683	\$ (1,751,219)	\$ -	\$ 29,847,464

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,585,618
Home-to-school transportation	91,128
All other pupil services	54,676
Plant services	91,127
Total Depreciation Expenses Governmental Activities	\$ 1,822,549

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2018, between major governmental funds, non-major governmental funds, and proprietary funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 361,183	\$ 92	\$ 361,275
Non-Major Governmental Funds	255,132	-	-	255,132
Total	\$ 255,132	\$ 361,183	\$ 92	\$ 616,407

A balance of \$516 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from the reimbursement of payroll, benefits and other operating expenditures.

A balance of \$360,667 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from salaries and related benefit costs.

The balance of \$92 due to the General Fund from the Internal Service Fund resulted from the closure of the internal service fund.

The balance of \$255,132 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from a program contribution to cover operating expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

The Internal Service Fund transferred to the General Fund to closeout the internal service fund for operating expense contribution.	\$ 35,655
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for payroll and benefit expense contribution.	255,132
Total	<u>\$ 290,787</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Governmental Activities			Fiduciary Fund
	General Fund	Non-Major Governmental Funds	Total Governmental Activities	
	Salaries and benefits	\$ 213,313	\$ 232	
LCFF apportionment	6,324	-	6,324	-
Supplies	14,610	53,334	67,944	-
Services	558,698	17,911	576,609	-
Other payables	25,932	-	25,932	1,902
Total	\$ 818,877	\$ 71,477	\$ 890,354	\$ 1,902

NOTE 8 – OPERATIONAL ADVANCES

On February 05, 2018, The District received a temporary loan from the San Bernardino County Superintendent of Schools to service working capital needs. The loan does not yield interest and will be repaid from revenues accruing to the District before any other obligation of the District is met from such revenue. At June 30, 2018, the outstanding balance was \$2,500,000.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2017			Balance June 30, 2018	Due in One Year
	As restated	Additions	Deductions		
Compensated absences	\$ 119,498	\$ -	\$ 1,981	\$ 117,517	\$ -
Net other postemployment benefits (OPEB) liability	5,348,930	928,000	286,720	5,990,210	-
	\$ 5,468,428	\$ 928,000	\$ 288,701	\$ 6,107,727	\$ -

The accrued compensated absence balances will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liability are generally paid by the General Fund.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$117,517.

Total Post employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported total OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 5,990,210	\$ 298,189	\$ 641,280

The details of this plan is as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	245
	261

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Silver Valley Education Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For the measurement date June 30, 2017, the District contributed \$286,720 to the Plan, which was used for current premiums.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Total OPEB Liability of the District

The District's total OPEB liability of \$5,990,210 was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	3.50 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00 percent for 2017

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 5,348,930
Service cost	733,325
Interest	194,675
Contributions-employer	(286,720)
Net change in total OPEB liability	641,280
Balance at June 30, 2017	\$ 5,990,210

Changes to the benefits terms: There were no changes in the benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.5 percent in 2015 to 3.5 percent in 2017.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.50%)	\$ 6,366,520
Current discount rate (3.50%)	5,990,210
1% increase (4.50%)	5,645,351

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 5,738,322
Current healthcare cost trend rate (4.00%)	5,990,210
1% increase (5.00%)	6,196,997

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$641,280. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$298,189.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 50,000	\$ 10,000	\$ 60,000
Stores inventories	47,411	19,324	66,735
Prepaid expenditures	3,426	-	3,426
Total Nonspendable	100,837	29,324	130,161
Restricted			
Legally restricted programs	670,926	90,662	761,588
Capital projects	-	459,287	459,287
Total Restricted	670,926	549,949	1,220,875
Assigned			
Other assignments	300,000	19	300,019
Unassigned			
Reserve for economic uncertainties	860,000	-	860,000
Remaining unassigned	735,744	-	735,744
Total Unassigned	1,595,744	-	1,595,744
Total	\$ 2,667,507	\$ 579,292	\$ 3,246,799

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. The General Fund, through the purchase of commercial insurance, administers employee life, health, and disability programs. The District participates in the High Desert Schools' (HDS) public entity risk pool for the workers' compensation programs, as well as property and liability programs. The District also participates in the SCSEBA public entity pool for the vision care and dental care programs. The District purchases a commercial insurance package for medical benefit coverage.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 19,635,353	\$ 6,385,263	\$ 3,040,756	\$ 1,902,947
CalPERS	9,206,783	2,745,360	500,897	1,531,701
Total	\$ 28,842,136	\$ 9,130,623	\$ 3,541,653	\$ 3,434,648

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$1,528,314.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 19,635,353
State's proportionate share of the net pension liability associated with the District	11,616,109
Total	<u>\$ 31,251,462</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0212 percent and 0.0237 percent, resulting in a net decrease in the proportionate share of 0.0025 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,902,947. In addition, the District recognized pension expense and revenue of \$1,169,273 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,528,314	\$ -
Net change in proportionate share of net pension liability	1,146,658	2,175,340
Difference between projected and actual earnings on pension plan investments	-	522,944
Differences between expected and actual experience in the measurement of the total pension liability	72,613	342,472
Changes of assumptions	3,637,678	-
Total	<u>\$ 6,385,263</u>	<u>\$ 3,040,756</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (434,742)
2020	328,972
2021	47,436
2022	(464,610)
Total	<u>\$ (522,944)</u>

The deferred outflows/ (inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 446,863
2020	446,863
2021	446,863
2022	446,865
2023	200,007
Thereafter	351,676
Total	<u>\$ 2,339,137</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 28,830,931
Current discount rate (7.10%)	19,635,353
1% increase (8.10%)	12,172,517

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$723,774.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,206,783. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0386 percent and 0.0403 percent, resulting in a net decrease in the proportionate share of 0.0017 percent.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$1,531,701. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 723,774	\$ -
Net change in proportionate share of net pension liability	28,458	392,499
Difference between projected and actual earnings on pension plan investments	318,492	-
Differences between expected and actual experience in the measurement of the total pension liability	329,841	-
Changes of assumptions	1,344,795	108,398
Total	<u>\$ 2,745,360</u>	<u>\$ 500,897</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (8,630)
2020	367,470
2021	134,058
2022	(174,406)
Total	<u>\$ 318,492</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 408,819
2020	393,562
2021	399,816
Total	<u>\$ 1,202,197</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 13,546,128
Current discount rate (7.15%)	9,206,783
1% increase (8.15%)	5,606,933

Public Agency Retirement System (PARS)

The District also contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employee's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan. Employees required and actual contributions of \$20,591 matched that of the employer's.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$944,638 (8.044 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of High Desert Schools' (HDS), and the Southern California Schools Employee Benefit Association (SCSEBA), public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, health and property and liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$545,659 and \$397,872 to HDS and SCSEBA, respectively, for property and liability coverage, as well as workers' compensation coverage, and for vision and dental benefits.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 8,533,098
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(3,047,870)
Net Position - Beginning as Restated	<u>\$ 5,485,228</u>

REQUIRED SUPPLEMENTARY INFORMATION

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 17,404,193	\$ 17,287,584	\$ 18,096,043	\$ 808,459
Federal sources	11,330,891	9,223,508	8,976,169	(247,339)
Other State sources	705,886	2,301,564	2,275,487	(26,077)
Other local sources	1,422,153	1,421,254	1,686,917	265,663
Total Revenues ¹	30,863,123	30,233,910	31,034,616	800,706
EXPENDITURES				
Current				
Certificated salaries	11,249,588	11,239,204	10,912,959	326,245
Classified salaries	4,361,732	4,133,188	4,408,961	(275,773)
Employee benefits	7,863,295	7,930,424	8,132,149	(201,725)
Books and supplies	992,205	663,255	564,315	98,940
Services and operating expenditures	6,544,233	5,995,138	5,485,893	509,245
Other outgo	7,100	7,100	-	7,100
Total Expenditures ¹	31,018,153	29,968,309	29,504,277	464,032
Deficiency of Revenues Over Expenditures	(155,030)	265,601	1,530,339	1,264,738
Other Financing Uses				
Transfers in	-	35,655	35,655	-
Transfers out	(200,000)	(250,000)	(255,132)	(5,132)
NET CHANGE IN FUND BALANCES	(355,030)	51,256	1,310,862	1,259,606
Fund Balances - Beginning	1,356,645	1,356,645	1,356,645	-
Fund Balances - Ending	\$ 1,001,615	\$ 1,407,901	\$ 2,667,507	\$ 1,259,606

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 733,325
Interest	194,675
Benefit payments	<u>(286,720)</u>
Net change in total OPEB liability	641,280
Total OPEB liability - beginning	<u>5,348,930</u>
Total OPEB liability - ending	<u><u>\$ 5,990,210</u></u>
Covered-employee payroll	<u>N/A ¹</u>
District's Total OPEB liability as a percentage of covered-employee payroll	<u>N/A ¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0212%</u>	<u>0.0237%</u>
District's proportionate share of the net pension liability	\$ 19,635,353	\$ 19,148,508
State's proportionate share of the net pension liability associated with the District	<u>11,616,109</u>	<u>10,900,904</u>
Total	<u>\$ 31,251,462</u>	<u>\$ 30,049,412</u>
District's covered - employee payroll	<u>\$ 11,398,219</u>	<u>\$ 11,830,289</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>172.27%</u>	<u>161.86%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
 CalPERS		
District's proportion of the net pension liability	<u>0.0386%</u>	<u>0.0403%</u>
District's proportionate share of the net pension liability	<u>\$ 9,206,783</u>	<u>\$ 7,956,908</u>
District's covered - employee payroll	<u>\$ 4,915,344</u>	<u>\$ 5,071,122</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.31%</u>	<u>156.91%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0248%</u>	<u>0.0220%</u>
\$ 16,672,020	\$ 12,861,101
<u>8,817,661</u>	<u>7,766,088</u>
<u>\$ 25,489,681</u>	<u>\$ 20,627,189</u>
<u>\$ 11,384,381</u>	<u>\$ 11,175,877</u>
<u>146.45%</u>	<u>115.08%</u>
<u>74%</u>	<u>77%</u>
<u>0.0427%</u>	<u>0.0419%</u>
<u>\$ 6,298,523</u>	<u>\$ 4,759,173</u>
<u>\$ 4,686,696</u>	<u>\$ 4,416,933</u>
<u>134.39%</u>	<u>107.75%</u>
<u>79%</u>	<u>83%</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 1,528,314	\$ 1,433,896
Contributions in relation to the contractually required contribution	<u>1,528,314</u>	<u>1,433,896</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 10,591,227</u>	 <u>\$ 11,398,219</u>
 Contributions as a percentage of covered - employee payroll	 <u>14.43%</u>	 <u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 723,774	\$ 682,643
Contributions in relation to the contractually required contribution	<u>723,774</u>	<u>682,643</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 4,660,189</u>	 <u>\$ 4,915,344</u>
 Contributions as a percentage of covered - employee payroll	 <u>15.53%</u>	 <u>13.89%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
\$ 1,269,390	\$ 1,010,933
<u>1,269,390</u>	<u>1,010,933</u>
<u>\$ -</u>	<u>\$ -</u>
 \$ 11,830,289	 \$ 11,384,381
 <u>10.73%</u>	 <u>8.88%</u>

\$ 600,928	\$ 551,671
<u>600,928</u>	<u>551,671</u>
<u>\$ -</u>	<u>\$ -</u>
 \$ 5,071,122	 \$ 4,686,696
 <u>11.85%</u>	 <u>11.77%</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTE OF REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Change of Assumptions – The discount rate changed from 4.5 percent in 2015 to 3.5 percent in 2017

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Title VIII, Impact Aid - Maintenance and Operations	84.041	[1]	\$ 7,938,260
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grant Low-Income and Neglected	84.010	14329	429,991
Title I, Part G: Advanced Placement Test Fee Reimbursement Program	84.330B	14831	184
Title II, Part A, Supporting Effective Instruction	84.367	14341	64,182
Passed through Desert Mountain SELPA:			
Special Education Cluster:			
Local Assistance Entitlement, Part B, Sec 611	84.027A	13379	369,822
Preschool Grants, Part B, Sec 619	84.173	13430	16,576
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	50,845
Total Special Education Cluster			<u>437,243</u>
Total U.S. Department of Education			<u>8,869,860</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	128,184
National School Lunch Program	10.555	13523	464,434
Food Distribution	10.555	13523	89,838
Total Child Nutrition Cluster			<u>682,456</u>
Total U.S. Department of Agriculture			<u>682,456</u>
U.S. DEPARTMENT OF DEFENSE			
National Defense Appropriations Act of 2013	12.558	[1]	512,402
Total Federal Programs			<u>\$ 10,064,718</u>

[1] Direct funded program.

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Silver Valley Unified School District was established in 1979. The District operates three elementary schools, one elementary/middle school combination school, one middle school, one high school, a continuation high school, an adult education school, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Karen Gray	President	2020
Brian Boatwright	Vice President	2018
Mark Staggs	Clerk	2020
Heather Reid	Member	2018
Lynn Mckee	Member	2018

ADMINISTRATION

Jesse M. Najera	Superintendent
Jeff Youskievicz	Assistant Superintendent, Educational Services
Marc S. Lacey	Assistant Superintendent, Administrative Services

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	845.92	847.08
Fourth through sixth	495.07	498.17
Seventh and eighth	244.37	244.33
Ninth through twelfth	397.97	395.37
Total Regular ADA	<u>1,983.33</u>	<u>1,984.95</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	4.29
Fourth through sixth	-	2.94
Seventh and eighth	-	0.82
Ninth through twelfth	-	0.35
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>-</u>	<u>8.40</u>
Community Day School		
Ninth through twelfth	4.14	4.13
Total ADA	<u>1,987.47</u>	<u>1,997.48</u>

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	52,200	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,125	180	N/A	Complied
Grade 2		55,125	180	N/A	Complied
Grade 3		55,125	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,800	180	N/A	Complied
Grade 5		55,800	180	N/A	Complied
Grade 6		60,120	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,120	180	N/A	Complied
Grade 8		60,120	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,870	180	N/A	Complied
Grade 10		64,870	180	N/A	Complied
Grade 11		64,870	180	N/A	Complied
Grade 12		64,870	180	N/A	Complied

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND³				
Revenues	\$ 29,761,906	\$ 30,355,013	\$ 30,678,673	\$ 32,930,257
Other sources and transfers in	-	35,655	-	-
Total Revenues	<u>29,761,906</u>	<u>30,390,668</u>	<u>30,678,673</u>	<u>32,930,257</u>
Expenditures	28,443,733	28,824,674	31,543,470	32,477,668
Other uses and transfers out	250,000	255,132	318,000	950,000
Total Expenditures and Other Uses	<u>28,693,733</u>	<u>29,079,806</u>	<u>31,861,470</u>	<u>33,427,668</u>
DECREASE IN FUND BALANCE	<u>\$ 1,068,173</u>	<u>\$ 1,310,862</u>	<u>\$ (1,182,797)</u>	<u>\$ (497,411)</u>
ENDING FUND BALANCE	<u>\$ 3,735,680</u>	<u>\$ 2,667,507</u>	<u>\$ 1,356,645</u>	<u>\$ 2,539,442</u>
AVAILABLE RESERVES²	<u>\$ 3,525,481</u>	<u>\$ 1,595,744</u>	<u>\$ 989,837</u>	<u>\$ 1,931,202</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>12.29%</u>	<u>5.49%</u>	<u>3.11%</u>	<u>5.78%</u>
LONG-TERM OBLIGATIONS⁴	<u>N/A</u>	<u>\$ 6,107,727</u>	<u>\$ 5,468,428</u>	<u>\$ 1,987,663</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>1,983</u>	<u>1,987</u>	<u>1,994</u>	<u>1,987</u>

The General Fund balance has increased by \$128,065 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$1,068,173 (40.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$4,120,064 over the past two years.

Average daily attendance has not changed over the past two years. However, a decline of four ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, as required by GASB Statement No. 54.

⁴ Long-term obligations have been restated as of June 30, 2017 to reflect the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 110,422	\$ 11	\$ 39,543
Receivables	50,447	-	77,786
Due from other funds	-	-	255,132
Stores inventories	-	-	19,324
Total Assets	\$ 160,869	\$ 11	\$ 391,785
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 69,683.00	\$ -	\$ 1,794
Due to other funds	516	-	360,667
Total Liabilities	70,199	-	362,461
Fund Balances			
Nonspendable	-	-	29,324
Restricted	90,651	11	-
Assigned	19	-	-
Total Fund Balances	90,670	11	29,324
Total Liabilities and Fund Balances	\$ 160,869	\$ 11	\$ 391,785

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
\$ 37,586	\$ 52,181	\$ 239,743
2,198	367,322	497,753
-	-	255,132
-	-	19,324
<u>\$ 39,784</u>	<u>\$ 419,503</u>	<u>\$ 1,011,952</u>

\$ -	\$ -	\$ 71,477
-	-	361,183
<u>-</u>	<u>-</u>	<u>432,660</u>

-	-	29,324
39,784	419,503	549,949
-	-	19
<u>39,784</u>	<u>419,503</u>	<u>579,292</u>

<u>\$ 39,784</u>	<u>\$ 419,503</u>	<u>\$ 1,011,952</u>
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SILVER VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ -	\$ -	\$ 682,456
Other State sources	330,667	-	46,950
Other local sources	7,187	-	325,893
Total Revenues	<u>337,854</u>	<u>-</u>	<u>1,055,299</u>
EXPENDITURES			
Current			
Instruction	153,000	-	-
Instruction-related activities:			
School site administration	40,321	-	-
Pupil Services:			
Food services	-	-	1,248,696
Facility acquisition and construction	54,739	-	-
Total Expenditures	<u>248,060</u>	<u>-</u>	<u>1,248,696</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>89,794</u>	<u>-</u>	<u>(193,397)</u>
Other Financing Sources			
Transfers in	-	-	255,132
NET CHANGE IN FUND BALANCES	89,794	-	61,735
Fund Balances - Beginning	876	11	(32,411)
Fund Balances - Ending	<u>\$ 90,670</u>	<u>\$ 11</u>	<u>\$ 29,324</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
\$ -	\$ 406,093	\$ 1,088,549
-	-	377,617
4,576	407	338,063
<u>4,576</u>	<u>406,500</u>	<u>1,804,229</u>
-	-	153,000
-	-	40,321
-	-	1,248,696
16,592	-	71,331
<u>16,592</u>	<u>-</u>	<u>1,513,348</u>
(12,016)	406,500	290,881
-	-	255,132
<u>(12,016)</u>	<u>406,500</u>	<u>546,013</u>
51,800	13,003	33,279
<u>\$ 39,784</u>	<u>\$ 419,503</u>	<u>\$ 579,292</u>

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of 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.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Silver Valley Unified School District
Yermo, 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 Silver Valley Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Silver Valley Unified School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Silver Valley Unified School District in a separate letter dated December 3, 2018.

Purpose of This Report

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

Vavink, Jain, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Silver Valley Unified School District
Yermo, California

Report on Compliance for Each Major Federal Program

We have audited Silver Valley 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 Silver Valley Unified School District's major Federal programs for the year ended June 30, 2018. Silver Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Varinck, Inc., Day & Co., LLP

Rancho Cucamonga, California
December 3, 2018



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Silver Valley Unified School District
Yermo, California

Report on State Compliance

We have audited Silver Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Silver Valley Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Silver Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Silver Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Silver Valley Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Silver Valley Unified School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts; refer to State Awards Findings and Questioned Costs, finding 2018-001. Compliance with such requirements is necessary, in our opinion, for Silver Valley Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Silver Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Programs

In our opinion, Silver Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District's ADA for the Continuation Education Attendance Program was below the materiality threshold, as indicated in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not offer Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before or After School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

The District does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Savinik, Inc, Day & Co, LLP

Rancho Cucamonga, California
December 3, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Title VIII, Impact Aid - Maintenance and Operations

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
Unduplicated Local Control Funding Formula Pupil Counts

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2018-001 40000

Criteria or Specific Requirements

In accordance with *Education Code* sections 2574(b)(3)(c), 42238.02(b)(3)(B), and 41020, the District is required to maintain supporting documentation such as a Free and Reduce Price Meal (FRPM) eligibility application or an alternative household income data collection form that indicates the student was eligible for the designation reported on the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The District did not update the status designation for 12 students who had a designation of "Free" or "Reduced" on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Through review of supporting documentation, each of these 12 students should have been reported with a status designation of "Paid," but it appears that the District did not update the 1.18 report to reflect the correct status.

Questioned Costs

The questioned costs associated with this condition resulted in a decrease of \$9,088 in the Local Control Funding Formula.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The "1.18 – FRPM/English Learner/Foster Youth – Student List" was agreed to "1.17 – FRPM/English Learner/Foster Youth Count" certified CALPADS report to ensure the correct 1.18 report was used. We then selected an initial sample of 40 students for testing and one exception was noted. Upon further discussion with the District, multiple students' "Free" or "Reduced" status was changed to "Paid" through the National School Lunch Program's (NSLP) income verification process. As these changes were made in the Nutrition Services software prior to the CALPADS amendment deadline, they should have also been reflected on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The District was able to compare the data between the Nutrition Services software and CALPADS data and identify 100 percent of the exceptions that existed, resulting in the discovery of the 12 students.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Effect

As a result of our testing, it appears that the District did not update the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report for pupils that did not have documentation supporting a "Free" or "Reduced" designation on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Adjustment by Auditor	Adjusted Total Unduplicated Pupil Count	Total Adjusted Enrollment
2,092	1,215	(12)	1,203	2,092

Cause

It appears the condition identified has materialized as a result of the District not updating the status for students whose eligibility changed from the National School Lunch Program's verification process from free/reduced to paid or paid to free/reduced.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan

Beginning 2018-2019, the District has added cautionary measures to ensure our unduplicated public count is accurate. We have initiated a shared live document listing the sample list of students to be verified. This list shows dates letters went out, phone calls made, etc and responses, if any, from parents/guardians. This alerts our CALPAD expert of any changes to students' identification. Another step we have added is our CALPAD expert meets with our Food Service Department and they go through and compare each application against what is in the system. After our Food Service Department and our CALPAD expert has verified all applications, a report is run and sent out to all site administrators to verify and confirm our data is accurate.

SILVER VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Silver Valley Unified School District
Yermo, California

In planning and performing our audit of the financial statements of Silver Valley Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 3, 2018, on the government-wide financial statements of the District.

INTERNAL CONTROLS

General Cash Receipts (District Collections)

Observation

During testing over general district receipting procedures, it was noted that cash collections received at the district are not consistently being deposited in a timely manner. Nine of 46 receipts tested were not deposited within one week of the initial receipt date.

Recommendation

Cash should be deposited within one week of its initial receipt date. This ensures that cash is not held for an extended period of time and provides less exposure to theft or loss of funds.

Nutrition Services Cash Receipts (District Collections)

Observation

During testing over Nutrition Services receipting procedures, it was noted that cash collections received at the district are not consistently being deposited in a timely manner. 11 of 12 receipts tested were not deposited within one week of the initial receipt date. Additionally, each of the 12 tested receipts were not transferred to the county treasury in a timely manner. The number of days between receipt date and county transmittal date ranged from 194 to 264 days.

Recommendation

Cash should be deposited within one week of its initial receipt date. This ensures that cash is not held for an extended period of time and provides less exposure to theft or loss of funds. Additionally, to ensure that all collections are recorded and recognized in the correct period, it is recommended that District personnel perform transmittals to the County Treasury at least monthly.

ASSOCIATED STUDENT BODY (ASB)

Silver Valley High School

Observations

1. Based on our review of cash receipting procedures, it was noted that eight of 20 receipts tested were not deposited in a timely manner. Delay in deposit was 11 to 69 days from the date of receipt. This could result in large cash balances being maintained by sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, or clubs are not consistently supported by sub-receipts or logs that tie the total to the cash count sheet. Four of 20 receipts tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these receipts were deposited intact.
3. Cash collections made by teachers, advisors, or clubs are not consistently supported by sub-receipts, logs, or tally sheets which indicate the date money was collected. As a result, the auditor was unable to verify that monies were deposited in a timely manner for three of 20 receipts tested.
4. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, three of six vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
5. Revenue potential forms do not provide a section to include actual revenues and expenditures activity of a fundraiser. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or if any losses have occurred. They also do not provide a section to include an explanation for any overage or shortage.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. Those collecting cash should ensure that receipting documentation indicates the date monies are collected. This will allow reviewers to ensure that funds collected are being deposited in a timely manner.
4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

5. The ASB should revise their existing form to include a section for clubs to input the actual results of the fundraising activity and compute the difference between projected and actual. This will allow the ASB to adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form.

Yermo School

Observations

1. Cash collections made by teachers and club advisors are not consistently supported by sub-receipts, logs, or tally sheets which indicate the date money was collected. As a result, the auditor was unable to verify that monies were deposited in a timely manner for three of 10 deposits tested.
2. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of eight invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. A master ticket log is not being used by the site to account for all tickets on hand and used during the year.

Recommendations

1. Those collecting cash should ensure that receipting documentation indicates the date monies are collected. This will allow reviewers to ensure that funds collected are being deposited in a timely manner.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for invoices should only be made once the receiving documentation is available.
3. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

We will review the status of the current year comments during our next audit engagement.

Varvink, Irwin, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2018