

**THREE RIVERS UNION SCHOOL DISTRICT
COUNTY OF TULARE
THREE RIVERS, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

**Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928**

This page is intentionally left blank.

Introductory Section

Three Rivers Union School District
 Audit Report
 For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	14	Exhibit A-1
Statement of Activities.....	15	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	16	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	17	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	Exhibit A-7
Notes to the Financial Statements	21	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	44	Exhibit B-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers' Retirement System	45	Exhibit B-2
Schedule of District's Contributions - California State Teachers' Retirement System	46	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees' Retirement System.....	47	Exhibit B-4
Schedule of District's Contributions - California Public Employees' Retirement System..	48	Exhibit B-5
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	50	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	51	Exhibit C-2
 Special Revenue Funds:		
Budgetary Comparison Schedule:		
Cafeteria Fund.....	52	Exhibit C-3
 Capital Projects Funds:		
Budgetary Comparison Schedules:		

Three Rivers Union School District
 Audit Report
 For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Capital Facilities Fund.....	53	Exhibit C-4
County School Facilities Fund.....	54	Exhibit C-5
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities.....	55	Exhibit C-6
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	59	
Schedule of Average Daily Attendance.....	60	Table D-1
Schedule of Instructional Time.....	61	Table D-2
Schedule of Financial Trends and Analysis.....	62	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	63	Table D-4
Schedule of Charter Schools.....	64	Table D-5
Notes to Supplementary Information.....	65	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68	
Independent Auditor's Report on State Compliance.....	70	
Schedule of Findings and Questioned Costs	74	
Summary Schedule of Prior Audit Findings.....	76	

This page is left blank intentionally.

Financial Section

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928
(559) 438-8740

Independent Auditor's Report

To the Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

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 Three Rivers Union 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Three Rivers Union School District as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Three Rivers Union School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Three Rivers Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Union School District's internal control over financial reporting and compliance.

Respectfully submitted,

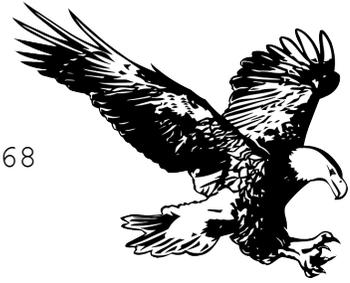
Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

This page is intentionally left blank.

Three Rivers Union School District

K-8 Elementary
P.O. Box 99
41932 Sierra Drive
Three Rivers, California 93271
(559) 561-4466 Fax (559) 561-4468



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Three Rivers Union School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Total assets increased \$366,503. Deferred outflows increased \$94,829 from the beginning balance. Total liabilities increased \$180,279 from the beginning balance. Deferred inflows increased \$95,711. Net position increased \$185,342 from the beginning net position.
- General revenues accounted for \$1,259,133 in revenue or 68% of all revenues. Program specific revenues, in the form of charges for services, and grants and contributions, accounted for \$589,098 or 32% of total revenues of \$1,848,231.
- The District had \$1,662,889 in expenses related to governmental activities; only \$554,350 of these expenses were offset by program specific grants and contributions and \$34,748 of these expenses were offset by program specific charges.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities as a whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column. For the District, the General Fund and the Cafeteria Fund are the most significant Funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

While this report contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question: "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash was received or paid.

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

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental activities – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- Business-type activities – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District had no business-type activities for the fiscal year ended June 30, 2018.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Cafeteria Fund.

Governmental Funds

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

Enterprise Funds

The Enterprise Fund, when applicable, uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same; however, the District had no Enterprise Funds.

Fiduciary Funds

For assets that belong to others, such as the Scholarship Fund and/or Student Body Funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. A separate Statement of Fiduciary Net Position--Fiduciary Fund and a Statement of Changes in Assets and Liabilities--Agency Fund report the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used by the District to finance its operations.

THE DISTRICT AS A WHOLE

Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017.

Table 1: Net Position

	Governmental Activities	
	2018	2017
Assets		
Current and other assets	\$ 1,313,615	\$ 896,536
Capital assets, net	2,106,073	2,156,649
Total Assets	<u>\$ 3,419,688</u>	<u>\$ 3,053,185</u>
Deferred Outflows of Resources	<u>\$ 342,775</u>	<u>\$ 247,946</u>
Liabilities		
Current liabilities	\$ 95,965	\$ 59,505
Long-term liabilities	1,235,185	1,091,366
Total Liabilities	<u>\$ 1,331,150</u>	<u>\$ 1,150,871</u>
Deferred Inflows of Resources	<u>\$ 141,664</u>	<u>\$ 45,953</u>
Net Position		
Invested in capital assets, net of related debt	\$ 1,995,435	\$ 2,012,782
Restricted	463,486	90,019
Unrestricted	(169,272)	1,506
Total Net Position	<u>\$ 2,289,649</u>	<u>\$ 2,104,307</u>

Total assets increased \$366,503. Deferred outflows increased \$94,829. Total liabilities increased \$180,279. Deferred inflows increased \$95,711. Net position increased \$185,342 from the beginning net position.

Table 2: Changes in Net Position – Statement of Activities

Table 2 reflects the change in net position on the Statement of Activities for fiscal year 2018 compared to 2017:

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 34,748	\$ 43,766
Operating grants and contributions	554,350	115,722
General Revenues		
LCFF Sources	1,133,600	-
Federal Revenue	21,895	495,667
Other State Revenue	95,052	694,187
Other Local Revenue	8,586	2,438
Total Revenues	<u>\$ 1,848,231</u>	<u>\$ 1,351,780</u>
Program expenses:		
Instruction	\$ 986,347	\$ 827,145
Instruction-related services	157,731	105,686
Pupil services	132,242	86,828
Ancillary services	3,056	2,619
Community services	622	8,320
Enterprise	1,934	-
General Administration	153,122	136,544
Plant services	223,750	134,844
Interest on long-term obligations	4,085	1,141
Total Expenses	<u>\$ 1,662,889</u>	<u>\$ 1,303,127</u>
Changes in Net Position	<u>\$ 185,342</u>	<u>\$ 48,653</u>

Governmental Activities

The Statement of Activities reflects the cost of program services and the operating grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues and unrestricted state entitlements.

Table 3: Governmental Activities

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and instruction-related services	\$ 1,144,078	\$ 901,674	\$ 932,831	\$ 825,057
Pupil services	132,242	87,487	86,828	49,962
General administration	153,122	111,754	136,544	132,160
Plant services	223,750	(35,923)	134,844	132,709
Ancillary services	3,056	2,286	2,619	2,619
Community services	622	494	8,320	(9)
Enterprise	1,934	1,934	-	-
Interest on long-term debt	4,085	4,085	1,141	1,141
	<u>\$ 1,662,889</u>	<u>\$ 1,073,791</u>	<u>\$ 1,303,127</u>	<u>\$ 1,143,639</u>

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for by using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1,799,559, and expenditures and other financing uses of \$1,397,203. The positive change in fund balance for the year reflects that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2018, the District amended its General Fund budget as needed. The District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$2,106,073 invested in capital assets. Table 4 reflects fiscal year 2018 balances compared to 2017:

Table 4: Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	\$ 10,870	\$ 10,870
Work in progress	-	-
Land Improvements	376,037	403,974
Buildings	1,566,837	1,565,996
Equipment	152,329	175,809
Totals	<u>\$ 2,106,073</u>	<u>\$ 2,156,649</u>

Debt

At June 30, 2018, the District had \$1,235,185 in long-term debt as compared to \$1,091,366 at June 30, 2017.

Table 5: Outstanding Debt, at Year-End

	Governmental Activities	
	2018	2017
Capital leases	\$ 110,638	\$ 143,866
Compensated absences	8,808	8,318
Net pension liability	1,115,739	939,182
Totals	<u>\$ 1,235,185</u>	<u>\$ 1,091,366</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The uncertainty of federal and state funding can have a profound impact on the financial health of the District. The federal budget was recently adopted and the state could implement budget cuts, as it did during the current year.

The District's General Fund revenues and other financing sources for the 2018-19 year are budgeted at \$1,315,006, as compared to the 2017-18 actual of \$1,531,397. Expenditures, other uses, and transfers out are budgeted for 2018-19 at \$1,433,440, as compared to the 2017-18 actual of \$1,289,019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Susan P. Sherwood, Superintendent/Principal at 41932 Sierra Drive, P.O. Box 99, Three Rivers, California 93271.

* * *

Basic Financial Statements

THREE RIVERS UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 1,252,163
Cash on Hand and in Banks	2,600
Accounts Receivable	57,674
Stores Inventories	1,178
Capital Assets:	
Land	10,870
Land Improvements, Net	376,037
Buildings, Net	1,566,837
Equipment, Net	152,329
Total Assets	<u>3,419,688</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	342,775
Total Deferred Outflows of Resources	<u>342,775</u>
LIABILITIES:	
Accounts Payable	70,894
Unearned Revenue	25,071
Long-term Liabilities	
Due Within One Year:	
Capital Leases Payable	26,486
Due After One Year:	
Net Pension Liability	1,115,739
Capital Leases Payable	84,152
Compensated Absences Payable	8,808
Total Liabilities	<u>1,331,150</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	141,664
Total Deferred Inflows of Resources	<u>141,664</u>
NET POSITION:	
Net Investment in Capital Assets	1,995,435
Restricted For:	
Capital Projects	184,708
Other Purposes	278,778
Unrestricted	(169,272)
Total Net Position	<u>\$ 2,289,649</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 986,347	\$ 2,157	\$ 206,292	\$ -	\$ (777,898)
Instruction-Related Services	157,731	351	33,604	-	(123,776)
Pupil Services	132,242	11,383	33,372	-	(87,487)
Ancillary Services	3,056	8	762	-	(2,286)
Community Services	622	1	127	-	(494)
Enterprise	1,934	-	-	-	(1,934)
General Administration	153,122	7,543	33,825	-	(111,754)
Plant Services	223,750	13,305	36,615	209,753	35,923
Interest on Long-Term Obligations	4,085	-	-	-	(4,085)
Total Governmental Activities	1,662,889	34,748	344,597	209,753	(1,073,791)
Total Primary Government	\$ 1,662,889	\$ 34,748	\$ 344,597	\$ 209,753	(1,073,791)
General Revenues:					
LCFF Sources					1,133,600
Federal Revenues					21,895
State Revenues					95,052
Local Revenues					8,586
Total General Revenues					1,259,133
Change in Net Position					185,342
Net Position - Beginning					2,104,307
Net Position - Ending					\$ 2,289,649

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,067,125	\$ 171,690	\$ 13,348	\$ 1,252,163
Cash on Hand and in Banks	2,600	-	-	2,600
Accounts Receivable	45,629	-	12,045	57,674
Stores Inventories	-	-	1,178	1,178
Total Assets	<u>1,115,354</u>	<u>171,690</u>	<u>26,571</u>	<u>1,313,615</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 62,315	\$ -	\$ 8,579	\$ 70,894
Unearned Revenue	25,071	-	-	25,071
Total Liabilities	<u>87,386</u>	<u>-</u>	<u>8,579</u>	<u>95,965</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	-	1,178	1,178
Restricted Fund Balances	274,982	171,690	16,814	463,486
Unassigned:				
Reserve for Economic Uncertainty	66,000	-	-	66,000
Other Unassigned	686,986	-	-	686,986
Total Fund Balance	<u>1,027,968</u>	<u>171,690</u>	<u>17,992</u>	<u>1,217,650</u>
Total Liabilities and Fund Balances	<u>\$ 1,115,354</u>	<u>\$ 171,690</u>	<u>\$ 26,571</u>	<u>\$ 1,313,615</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

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

Total Fund Balances - Balance Sheet, Governmental Funds	\$ 1,217,650
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	4,091,307
Accumulated depreciation	(1,985,234)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Other post-employment benefits payable (OPEB)	
Net pension liability	(1,115,739)
Compensated absences payable	(8,808)
Capital leases payable	(110,638)
Deferred outflows and inflows of resources are not reported in the funds because they are applicable to future periods:	
Deferred outflows of resources related to pensions	342,775
Deferred inflows of resources related to pensions	(141,664)
Net Assets of Governmental Activities - Statement of Net Assets	<u>\$ 2,289,649</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 356,955	\$ -	\$ -	\$ 356,955
Education Protection Account Funds	27,650	-	-	27,650
Local Sources	748,995	-	-	748,995
Federal Revenue	62,655	-	25,458	88,113
Other State Revenue	321,402	209,445	1,412	532,259
Other Local Revenue	13,740	308	31,539	45,587
Total Revenues	<u>1,531,397</u>	<u>209,753</u>	<u>58,409</u>	<u>1,799,559</u>
Expenditures:				
Current:				
Instruction	784,899	-	-	784,899
Instruction - Related Services	133,992	-	-	133,992
Pupil Services	25,839	-	59,419	85,258
Ancillary Services	3,056	-	-	3,056
Community Services	500	-	-	500
General Administration	134,738	-	11,130	145,868
Plant Services	145,677	-	-	145,677
Capital Outlay	-	40,640	20,000	60,640
Debt Service:				
Principal	33,228	-	-	33,228
Interest	4,085	-	-	4,085
Total Expenditures	<u>1,266,014</u>	<u>40,640</u>	<u>90,549</u>	<u>1,397,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>265,383</u>	<u>169,113</u>	<u>(32,140)</u>	<u>402,356</u>
Other Financing Sources (Uses):				
Transfers In	-	1,505	21,500	23,005
Transfers Out	(23,005)	-	-	(23,005)
Total Other Financing Sources (Uses)	<u>(23,005)</u>	<u>1,505</u>	<u>21,500</u>	<u>-</u>
Net Change in Fund Balance	242,378	170,618	(10,640)	402,356
Fund Balance, July 1	785,590	1,072	28,632	815,294
Fund Balance, June 30	<u>\$ 1,027,968</u>	<u>\$ 171,690</u>	<u>\$ 17,992</u>	<u>\$ 1,217,650</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

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

Net change in fund balances-total governmental funds	\$ 402,356
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Expenditures for capital outlay	73,374
Depreciation expense	(123,949)
Governmental funds report repayments of long-term debt as expenditures. In the Government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	
	33,228
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:	
Compensated absences	(490)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	
	(199,177)
Change in net assets of governmental activities - statement of activities	<u>\$ 185,342</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 15,846
Total Assets	<u>15,846</u>
LIABILITIES:	
Due to Student Groups	\$ 15,846
Total Liabilities	<u>15,846</u>
NET POSITION:	
Total Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The District reports the following major governmental funds:

General Fund. This is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

County School Facilities Fund. This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants as provided by the Leroy F Green School Facilities Act of 1998.

In addition, the District reports the following non-major funds:

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

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on development projects as a condition of approval.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

c. Capital Assets

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

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

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation AC systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, tool:	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

d. Receivable and Payable Balances

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

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

e. Compensated Absences

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

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

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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

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

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63, 65, 74 and 75, as applicable.

7. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report, when applicable.

8. Pensions

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

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

Valuation Date (VD) (STRS)	June 30, 2016
Valuation Date (VD) (PERS)	June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

9. Use of Estimates

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

10. Fair Value Measurements

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

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

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

11. Change in Accounting Policies

The District has adopted accounting policies compliant with a new pronouncement issued by the Government Accounting Standards Board (GASB) that is effective for the fiscal year ended June 30, 2018. This newly implemented pronouncement is as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

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 replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" for OPEB.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Cafeteria Fund:	
Books and supplies	\$ 4,707

Cafeteria fund: The District incurred additional expenditures for supplies.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Tulare County Treasury as part of the common investment pool (\$1,252,163 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,252,163. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$2,600 as of June 30, 2018) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Cash in County Treasury	Less Than 12 months	\$ 1,252,163
Cash on Hand	Less Than 12 months	2,600
Total Investments		<u>\$ 1,254,763</u>

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	100%
Local Agency Investment Fund (LAIF)	N/A	None	None

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

D. Accounts Receivable

Accounts receivable and due from grantor governments at June 30, 2018 consisted of the following:

	General Fund	All Other Governmental Funds	Total Governmental Funds
Federal programs	\$ 28,826	\$ 3,748	\$ 32,574
State lottery	6,365	-	6,365
Other local receivables	10,438	8,297	18,735
Total	\$ 45,629	\$ 12,045	\$ 57,674

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 10,870	\$ -	\$ -	\$ 10,870
Total capital assets not being depreciated	10,870	-	-	10,870
Capital assets being depreciated:				
Buildings	2,795,505	73,374	-	2,868,879
Land Improvements	811,385	-	-	811,385
Equipment	400,173	-	-	400,173
Total capital assets being depreciated	4,007,063	73,374	-	4,080,437
Less accumulated depreciation for:				
Buildings	(1,229,510)	(72,532)	-	(1,302,042)
Land Improvements	(407,411)	(27,937)	-	(435,348)
Equipment	(247,844)	-	-	(247,844)
Total accumulated depreciation	(1,884,765)	(100,469)	-	(1,985,234)
Total capital assets being depreciated, net	2,122,298	(27,095)	-	2,095,203
Governmental activities capital assets, net	\$ 2,133,168	\$ (27,095)	\$ -	\$ 2,106,073

Depreciation was charged to functions as follows:

Instruction	\$ 11,372
Home-to-school transportation	20,744
Food services	1,750
General Administration	2,312
Plant Services	87,771
Total	\$ 123,949

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

F. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers In	Transfers Out	Amount	Reason
General fund	County Schools Facilities Fund	\$ 1,505	For capital outlay expenditures
General fund	Other Governmental Funds	21,500	Support food service salaries and benefits
	Total	\$ <u>23,005</u>	

G. Accounts Payable

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

	General Fund	All Other Governmental Funds	Total Governmental Funds
Vendor payables	\$ 11,759	\$ 8,500	\$ 20,259
Salaries and benefits	8,959	79	9,038
Other	41,597	-	41,597
Totals	\$ <u>62,315</u>	\$ <u>8,579</u>	\$ <u>70,894</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 143,866	\$ -	\$ 33,228	\$ 110,638	26,486
Net pension liability	939,182	176,557	-	1,115,739	-
Compensated absences	8,318	490	-	8,808	-
Total governmental activities	\$ <u>1,091,366</u>	\$ <u>177,047</u>	\$ <u>33,228</u>	\$ <u>1,235,185</u>	\$ <u>26,486</u>

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Capital leases	Governmental	Capital Facilities fund
Net pension liability	Governmental	General
Compensated absences	Governmental	General

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2018, as follows:

<u>Year Ending June 30:</u>	
2019	\$ 26,486
2020	27,254
2021	28,044
2022	28,854
Total Minimum Rentals	<u>\$ 110,638</u>

I. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2018, as follows:

<u>Year Ending June 30,</u>	
2019	\$ 8,669
2020	8,669
2021	5,057
Total Minimum Rentals	<u>\$ 22,395</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

J. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	8.167%	8.167%

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

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.888% of annual payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 8.167% of salaries creditable to CalSTRS. 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. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.410%	\$ 19,842
2017	6.000%	\$ 26,696
2018	8.167%	\$ 36,727

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	\$ 61,854	\$ 19,111	\$ 80,965
Contributions - State On Behalf Payments (Fiscal Year)	36,727	-	36,727
Total Contributions	<u>\$ 98,581</u>	<u>\$ 19,111</u>	<u>\$ 117,692</u>

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 860,065
CalPERS	255,674
Total Net Pension Liability	<u>\$ 1,115,739</u>

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2017	0.0009%	0.0005%	0.0014%	0.0012%
Proportion June 30, 2018	0.0009%	0.0006%	0.0015%	0.0011%
Change in Proportion	0.0001%	0.0001%	0.0001%	-0.0001%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 152,041	\$ 24,516	\$ 176,557
State On Behalf Pension Expense	41,288		41,288
Employer Contributions to Pension Expense	70,255	22,946	93,201
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(70,255)	(22,946)	(93,201)
Difference Between Actual & Expected Experience	(2,969)	(4,557)	(7,526)
Change in Assumptions	(148,710)	(39,835)	(188,545)
Change in Proportionate Shares	(35,341)	1,736	(33,605)
Net Difference Between Projected & Actual Earnings	4,318	-	4,318
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	-	-	-
Change in Assumptions	-	-	-
Change in Proportionate Shares	-	13,988	13,988
Net Difference Between Projected & Actual Earnings	81,401	46,275	127,676
Total Pension Expense	\$ 92,028	\$ 42,123	\$ 134,151

b. Deferred Outflows and Inflows of Resources

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		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 70,255	\$ 22,946	\$ 93,201
Differences between actual and expected experience	2,969	4,557	7,526
Changes in assumptions	148,710	39,835	188,545
Change in employer's proportion share	35,341	5,209	40,550
Net difference between projected and actual earnings	12,953	-	12,953
Total Deferred Outflows of Resources	\$ 270,228	\$ 72,547	\$ 342,775

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$	\$	\$
Changes in assumptions			
Change in employer's proportionate share		(13,988)	(13,988)
Net difference between projected and actual earnings	(81,401)	(46,275)	(127,676)
Total Deferred Inflows of Resources	<u>\$ (81,401)</u>	<u>\$ (60,263)</u>	<u>\$ (141,664)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2019	\$ 121,328	\$ 35,780	\$ (20,350)	\$ (17,308)	\$ 119,450
2020	51,073	12,834	(20,350)	(17,308)	26,249
2021	51,072	12,835	(20,350)	(17,308)	26,249
2022	46,755	11,098	(20,351)	(8,339)	29,163
2023	-	-	-	-	-
Total	<u>\$ 270,228</u>	<u>\$ 72,547</u>	<u>\$ (81,401)</u>	<u>\$ (60,263)</u>	<u>\$ 201,111</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5%-6.4% (1)	3.10%-9.00% (1)
Investment Rate of Return	7.10% (2)	7.15% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The CalPERS discount rate was increased from 7.50% for measurement date June 30, 2015 to correct for an adjustment to exclude administrative expenses. The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

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

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

CalSTRS		
Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS			
Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 1,262,850	\$ 376,181
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 860,065	\$ 255,674
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 533,180	\$ 155,707

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 3,216,327	\$ 2,251,429	\$ 964,898	\$ 256,874	\$ 708,024
Changes for the year:					
Change in Proportionate share	784,994	551,232	233,762	189,590	44,172
Service Cost	89,868	-	89,868	33,473	56,395
Interest	299,764	-	299,764	111,653	188,111
Differences between expected and actual experience	5,913	-	5,913	2,202	3,711
Change in assumptions	296,222	-	296,222	110,334	185,888
Contributions:					
Employer	-	61,847	(61,847)	(23,036)	(38,811)
Employee	-	50,994	(50,994)	(18,994)	(32,000)
State On Behalf Payments	-	36,727	(36,727)	(13,680)	(23,048)
Net Investment Income	-	372,948	(372,948)	(138,912)	(234,036)
Other Income	-	1,067	(1,067)	(397)	(670)
Benefit Payments, including refunds of employee contributions	(206,036)	(206,036)	-	-	-
Administrative expenses	-	(2,703)	2,703	1,007	1,696
Borrowing Costs	-	(859)	859	320	539
Other Expenses	-	(152)	152	57	95
Net Changes	<u>1,270,725</u>	<u>865,065</u>	<u>405,660</u>	<u>253,617</u>	<u>152,042</u>
Balance at June 30, 2018	<u>\$ 4,487,052</u>	<u>\$ 3,116,494</u>	<u>\$ 1,370,558</u>	<u>\$ 510,491</u>	<u>\$ 860,066</u>

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 856,141	\$ 624,983	\$ 231,158
Changes for the year:			
Adjustment for Change in Proportionate Share	(45,790)	(26,155)	(19,635)
Service Cost	21,762	-	21,762
Interest	61,259	-	61,259
Differences between expected and actual experience	5,696	-	5,696
Changes in Assumptions	49,794	-	49,794
Contributions - Employer	-	19,104	(19,104)
Contributions - Employee	-	9,612	(9,612)
Net Plan to Plan Resource Movement	-	(1)	1
Net Investment Income	-	66,528	(66,528)
Benefit Payments, including refunds of employee contributions	(39,894)	(39,894)	-
Administrative expenses	-	(883)	883
Net Changes	52,827	28,311	24,516
Balance at June 30, 2018	\$ 908,968	\$ 653,294	\$ 255,674

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

K. Compensated Absences

Compensated absences at June 30, 2018 consisted of:

	Compensated Absences	Benefits	Totals
Certificated	\$ 7,246	\$ 1,562	\$ 8,808

All amounts due after one year.

L. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

M. Restricted Fund Balances

Restricted balances at June 30, 2018 are as follows:

Lottery: Instructional Materials	\$ 24,766
Other Restricted Local	37,806
State School Facilities Projects	184,707
California Clean Energy Jobs Act	212,410
Child Nutrition: School Programs	3,797
 Totals	 \$ <u>463,486</u>

N. Joint Ventures (Joint Powers Agreements)

The District participates in four joint ventures under joint powers agreements (JPAs) as follows:

Northern California Regional Liability Excess Fund (Nor Cal ReLiEF)
(excess liability and excess workers' compensation insurance)

Self-Insured Schools of California III (SISC III)
(health insurance)

Tulare County SIG Workers' Compensation JPA (TCSIG)
(workers' compensation insurance)

Tulare County School Districts' Self-Insurance Authority (TCSSIA)
(property and liability insurance)

The relationships between the District and the other JPAs are such that none of the other JPAs are component units of the District for financial reporting purposes.

The JPAs provide insurance and services as noted for member school districts.

Each JPA is governed by a board consisting of a representative from each member district. Such governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond representation on the governing board.

Each district pays premiums and fees commensurate with the level of coverage or services requested, and shares surpluses and deficits proportionate to its participation in each JPA.

Each JPA is independently accountable for its fiscal matters, and maintains its own accounting records.

The District's share of year-end assets, liabilities, or fund equity has not been calculated by the entities.

Condensed financial information for the above JPAs for the year ended June 30, 2018 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

Nor Cal ReLiEF, TCSIG and TCSSIA	Keenan & Associates 2355 Crenshaw Blvd., Suite 200 Torrance, CA 90501
SISC III	Self-Insured Schools of California Kern County Superintendent of Schools P. O. Box 1847

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

O. Subsequent Events

Implementation of New Accounting Guidance

The District is evaluating accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are not yet effective for the fiscal year ended June 30, 2018. Those newly issued pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

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

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

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

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

Required Supplementary Information

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

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 440,643	\$ 356,955	\$ 356,955	\$ -
Education Protection Account Funds	27,630	27,650	27,650	-
Local Sources	656,859	748,995	748,995	-
Federal Revenue	44,335	62,758	62,655	(103)
Other State Revenue	60,360	321,402	321,402	-
Other Local Revenue	22,950	13,739	13,740	1
Total Revenues	<u>1,252,777</u>	<u>1,531,499</u>	<u>1,531,397</u>	<u>(102)</u>
Expenditures:				
Current:				
Certificated Salaries	502,000	508,132	508,132	-
Classified Salaries	165,903	169,153	169,152	1
Employee Benefits	357,147	335,566	335,566	-
Books And Supplies	51,219	34,969	34,969	-
Services And Other Operating Expenditures	162,194	180,986	180,882	104
Debt Service:				
Principal	32,986	33,230	33,228	2
Interest	4,035	4,085	4,085	-
Total Expenditures	<u>1,275,484</u>	<u>1,266,121</u>	<u>1,266,014</u>	<u>107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,707)</u>	<u>265,378</u>	<u>265,383</u>	<u>5</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(22,000)</u>	<u>(23,005)</u>	<u>(23,005)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(22,000)</u>	<u>(23,005)</u>	<u>(23,005)</u>	<u>-</u>
Net Change in Fund Balance	<u>(44,707)</u>	<u>242,373</u>	<u>242,378</u>	<u>5</u>
Fund Balance, July 1	<u>785,590</u>	<u>785,590</u>	<u>785,590</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 740,883</u>	<u>\$ 1,027,963</u>	<u>\$ 1,027,968</u>	<u>\$ 5</u>

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.001%	0.001%	0.001%	0.001%
District's proportionate share of the net pension liability (asset)	\$ 860,065	\$ 708,024	\$ 612,643	\$ 470,373
State's proportionate share of the net pension liability (asset) associated with the District	510,491	256,874	211,933	177,090
Total	\$ <u>1,370,556</u>	\$ <u>964,898</u>	\$ <u>824,576</u>	\$ <u>647,463</u>
District's covered-employee payroll	\$ 486,868	\$ 479,203	\$ 434,549	\$ 420,472
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	176.65%	147.75%	140.98%	111.87%
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.00%	70.00%	60.00%

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

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 70,255	\$ 68,458	\$ 47,438	\$ 40,608
Contributions in relation to the contractually required contribution	70,255	61,917	46,466	37,337
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>6,541</u>	\$ <u>972</u>	\$ <u>3,271</u>
District's covered-employee payroll	\$ 486,868	\$ 479,203	\$ 434,549	\$ 420,472
Contributions as a percentage of covered-employee payroll	14.43%	14.29%	10.92%	9.66%

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

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.001%	0.001%	0.001%	0.001%
District's proportionate share of the net pension liability (asset)	\$ 255,674	\$ 231,158	\$ 180,959	\$ 148,573
District's covered-employee payroll	\$ 147,743	\$ 139,160	\$ 140,357	\$ 136,174
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.05%	166.11%	128.93%	109.11%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.00%	79.00%	83.00%

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

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 22,946	\$ 19,900	\$ 16,671	\$ 13,205
Contributions in relation to the contractually required contribution	22,946	19,111	16,635	15,998
Contribution deficiency (excess)	\$ -	\$ 789	\$ 36	\$ (2,793)
District's covered-employee payroll	\$ 147,743	\$ 139,160	\$ 140,357	\$ 136,174
Contributions as a percentage of covered-employee payroll	15.53%	14.30%	11.88%	9.70%

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

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

THREE RIVERS UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Capital Facilities Fund	
ASSETS:			
Cash in County Treasury	\$ 127	\$ 13,221	\$ 13,348
Accounts Receivable	3,748	8,297	12,045
Stores Inventories	1,178	-	1,178
Total Assets	<u>5,053</u>	<u>21,518</u>	<u>26,571</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 79	\$ 8,500	\$ 8,579
Total Liabilities	<u>79</u>	<u>8,500</u>	<u>8,579</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	1,178	-	1,178
Restricted Fund Balances	3,796	13,018	16,814
Total Fund Balance	<u>4,974</u>	<u>13,018</u>	<u>17,992</u>
Total Liabilities and Fund Balances	<u>\$ 5,053</u>	<u>\$ 21,518</u>	<u>\$ 26,571</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Capital Facilities Fund	
Revenues:			
Federal Revenue	\$ 25,458	\$ -	\$ 25,458
Other State Revenue	1,412	-	1,412
Other Local Revenue	11,338	20,201	31,539
Total Revenues	<u>38,208</u>	<u>20,201</u>	<u>58,409</u>
Expenditures:			
Current:			
Pupil Services	59,419	-	59,419
General Administration	-	11,130	11,130
Capital Outlay	-	20,000	20,000
Total Expenditures	<u>59,419</u>	<u>31,130</u>	<u>90,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,211)</u>	<u>(10,929)</u>	<u>(32,140)</u>
Other Financing Sources (Uses):			
Transfers In	21,500	-	21,500
Total Other Financing Sources (Uses)	<u>21,500</u>	<u>-</u>	<u>21,500</u>
Net Change in Fund Balance	289	(10,929)	(10,640)
Fund Balance, July 1	4,685	23,947	28,632
Fund Balance, June 30	<u>\$ 4,974</u>	<u>\$ 13,018</u>	<u>\$ 17,992</u>

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT C-3

CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 20,752	\$ 25,458	\$ 4,706
Other State Revenue	1,412	1,412	-
Other Local Revenue	11,338	11,338	-
Total Revenues	<u>33,502</u>	<u>38,208</u>	<u>4,706</u>
Expenditures:			
Current:			
Classified Salaries	19,419	19,418	1
Employee Benefits	14,712	14,712	-
Books And Supplies	18,335	23,042	(4,707)
Services And Other Operating Expenditures	2,247	2,247	-
Total Expenditures	<u>54,713</u>	<u>59,419</u>	<u>(4,706)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,211)</u>	<u>(21,211)</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers In	21,500	21,500	-
Total Other Financing Sources (Uses)	<u>21,500</u>	<u>21,500</u>	<u>-</u>
Net Change in Fund Balance	289	289	-
Fund Balance, July 1	4,685	4,685	-
Fund Balance, June 30	<u>\$ 4,974</u>	<u>\$ 4,974</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT C-4

CAPITAL FACILITIES FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other Local Revenue	\$ 20,200	\$ 20,201	\$ 1
Total Revenues	<u>20,200</u>	<u>20,201</u>	<u>1</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	11,130	11,130	-
Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Expenditures	<u>31,130</u>	<u>31,130</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,930)</u>	<u>(10,929)</u>	<u>1</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(10,930)	(10,929)	1
Fund Balance, July 1	23,947	23,947	-
Fund Balance, June 30	<u>\$ 13,017</u>	<u>\$ 13,018</u>	<u>\$ 1</u>

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT C-5

COUNTY SCHOOL FACILITIES FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 209,445	\$ 209,445	\$ -
Other Local Revenue	308	308	-
Total Revenues	<u>209,753</u>	<u>209,753</u>	<u>-</u>
Expenditures:			
Capital Outlay	40,640	40,640	-
Total Expenditures	<u>40,640</u>	<u>40,640</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>169,113</u>	<u>169,113</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers In	1,505	1,505	-
Total Other Financing Sources (Uses)	<u>1,505</u>	<u>1,505</u>	<u>-</u>
Net Change in Fund Balance	170,618	170,618	-
Fund Balance, July 1	1,072	1,072	-
Fund Balance, June 30	<u>\$ 171,690</u>	<u>\$ 171,690</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2018

EXHIBIT C-6

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>ELEMENTARY STUDENT ACTIVITIES</u>				
ASSETS				
Cash and investments	\$ 12,510	\$ 46,159	\$ 42,823	\$ 15,846
Total Assets	<u>\$ 12,510</u>	<u>\$ 46,159</u>	<u>\$ 42,823</u>	<u>\$ 15,846</u>
LIABILITIES				
Due to student groups	\$ 12,510	\$ 46,159	\$ 42,823	\$ 15,846
Total Liabilities	<u>\$ 12,510</u>	<u>\$ 46,159</u>	<u>\$ 42,823</u>	<u>\$ 15,846</u>

This page is intentionally left blank.

Other Supplementary Information

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

Supplementary Information Section

THREE RIVERS UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The Three Rivers School District was established in 1870, and consolidated into the Three Rivers Union School District in 1927. The District is comprised of an area of approximately 712 square miles located in Tulare County. There were no major changes in the boundaries, organization or operation of the school district during the fiscal year under audit. The District currently operates one elementary school with classes from kindergarten through eighth grade.

The Board of Trustees is comprised of the following members who serve four year terms:

Governing Board		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Sue Winters	President	2018
Jason Hawes	Clerk	2020
Scott Sherwood	Trustee	2018
Mark Frick	Trustee	2020
George Kulick	Trustee	2018

Administration

Susan Sherwood
Superintendent/Principal

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

TABLE D-1

	<u>Second Period</u>	<u>Annual</u>
TK/K-3: Regular ADA	53.86	52.88
Grades 4-6: Regular ADA	51.99	51.78
Grades 7 and 8: Regular ADA	32.40	32.51
	<hr/>	<hr/>
ADA Totals	<u>138.25</u>	<u>137.17</u>

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

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

THREE RIVERS UNION SCHOOL DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**TABLE D-2**

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	N/A	37,590	180	N/A	Complied
Kindergarten	36,000	N/A	37,590	180	N/A	Complied
Grade 1	50,400	N/A	57,580	180	N/A	Complied
Grade 2	50,400	N/A	58,480	180	N/A	Complied
Grade 3	50,400	N/A	61,040	180	N/A	Complied
Grade 4	54,000	N/A	58,480	180	N/A	Complied
Grade 5	54,000	N/A	58,550	180	N/A	Complied
Grade 6	54,000	N/A	58,550	180	N/A	Complied
Grade 7	54,000	N/A	60,280	180	N/A	Complied
Grade 8	54,000	N/A	60,350	180	N/A	Complied

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet its target funding.

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	\$ 1,315,006	\$ 1,531,397	\$ 1,287,054	\$ 1,342,131
Expenditures	1,411,440	1,266,014	1,531,402	1,110,246
Other uses and transfers out	22,000	23,005	18,779	13,400
Total outgo	1,433,440	1,289,019	1,550,181	1,123,646
Change in fund balance (deficit)	(118,434)	242,378	(263,127)	218,485
Ending fund balance	\$ 909,534	\$ 1,027,968	\$ 785,590	\$ 1,048,717
Available reserves (see note 2)	\$ 635,082	\$ 752,986	\$ 785,590	\$ 1,048,717
Available reserves as a percentage of total outgo (see note 3)	44.3%	58.4%	50.7%	93.3%
Total long-term debt	\$ 1,208,699	\$ 1,235,185	\$ 1,058,137	\$ 42,317
Average daily attendance at P-2	138	138	135	139

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.

The fund balance of the general fund has decreased by \$20,749 (2.0%) over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$118,434 (11.5%). For a district of this size, the State recommends available reserves of at least 5% of total general fund expenditures, transfers out and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and projects a deficit during the 2018-2019 fiscal year. Total long-term debt has increased by \$1,192,868 over the past two years.

Average daily attendance has decreased by 1 over the past two years. During fiscal year 2018-2019, no change in average daily attendance is anticipated.

NOTES:

- 1 The budget for 2019 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

THREE RIVERS UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

TABLE D-4

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

There were no audit adjustments for any fund impacting the fund balance for the year ended June 30, 2018.

No charter schools are chartered by Three Rivers Union School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

Subrecipients
The District did not provide any awards to subrecipients.

De Minimis Cost Rate
The District did not elect to use the 10% de minimis cost rate.

Excess Sick Leave
The District did not authorize or accrue any excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5 for the District's employees who are members of the California State Teachers' Retirement System (CalSTRS).

THREE RIVERS UNION SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

NOTE 1 - Early Retirement Incentive Program

The district has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the district. For the year ended June 30, 2018 no employee(s) elected to take the Early Retirement Incentive Program.

This page is intentionally left blank.

Other Independent Auditor's Reports

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928
(559) 438-8740

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Three Rivers Union School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Three Rivers Union 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*.

Purpose of this Report

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

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 10, 2018

Linger, Peterson & Shrum
Certified Public Accountants
575 East Locust Avenue, Suite 308
Fresno, California 93720-2928

Independent Auditor's Report on State Compliance

Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF
EDUCATION, AND CHARTER SCHOOLS:**

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

We did not perform testing for Independent Study as it was under the material amount for testing.

Opinion on State Compliance

In our opinion, Three Rivers Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, CA
December 10, 2018

Findings and Recommendations Section

THREE RIVERS UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes N/A No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-------------------------------------------

The District had less than \$750,000 in federal expenditures for the year ended June 30, 2018.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? Yes X No

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

THREE RIVERS UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of "Government Auditing Standards".

There were no Financial Statement findings and questioned costs.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no Federal award findings and questioned costs.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no State award findings and questioned costs.

THREE RIVERS UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--------------------------------------------------------

There were no prior year findings and questioned costs.