

NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2019 AUDIT RESULTS



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

AUDIT PHASE I

- **RISK ANALYSIS**
- **DOCUMENT CONTROLS**
- **TEST CONTROLS**
- **ANALYTICS**



AUDIT PHASE II

Substantive Tests

Compliance

Analytics

GENERAL AUDIT

- **STANDARDS**
 - **AICPA'S STATEMENTS ON AUDITING STANDARDS**
 - **GAO/GAGAS**
 - **EAAP AUDIT GUIDE**
 - **SINGLE AUDIT**



PENSIONS

| CalPERS Plan | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| District's Proportion of Net Pension Liability | 0.24920% | 0.25337% | 0.25705% | 0.26326% | 0.24155% |
| District's Proportionate Share of Net Pension Liability | \$ 28,290,268 | \$ 37,346,642 | \$ 50,768,334 | \$ 62,847,110 | \$ 64,404,835 |
| District's Covered Payroll | \$ 26,164,403 | \$ 29,373,910 | \$ 32,133,786 | \$ 33,570,521 | \$ 32,134,537 |
| District's Proportionate Share of NPL as a % of Covered Payroll | 108.13% | 127.14% | 157.99% | 187.21% | 200.42% |
| Plan's Fiduciary Net Position as a % of the TPL | 83.38% | 79.43% | 73.90% | 71.87% | 70.85% |

| CalSTRS Plan | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's Proportion of Net Pension Liability | 0.16600% | 0.15859% | 0.16184% | 0.17300% | 0.16300% |
| District's Proportionate Share of Net Pension Liability | \$ 97,005,420 | \$ 106,767,983 | \$ 130,899,443 | \$ 159,988,670 | \$ 149,808,410 |
| State's Proportionate Share of Net Pension Liability Associated with the District | 58,776,061 | 56,468,493 | 74,518,718 | 94,647,946 | 85,772,805 |
| Total | <u>\$ 155,781,481</u> | <u>\$ 163,236,476</u> | <u>\$ 205,418,161</u> | <u>\$ 254,636,616</u> | <u>\$ 235,581,215</u> |
| District's Covered Payroll | \$ 74,054,594 | \$ 83,934,707 | \$ 88,536,645 | \$ 91,951,836 | \$ 87,411,712 |
| District's Proportionate Share of NPL as a % of Covered Payroll | 130.99% | 127.20% | 147.85% | 173.99% | 171.38% |
| Plan's Fiduciary Net Position as a % of the TPL | 76.52% | 74.02% | 70.04% | 69.46% | 70.99% |

PENSIONS

| CalPERS Plan | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually Required Contributions | \$ 3,457,603 | \$ 3,806,986 | \$ 4,662,274 | \$ 4,990,815 | \$ 6,000,076 |
| Contributions in Relation to Contractually Required Contributions | 3,457,603 | 3,806,986 | 4,662,274 | 4,990,815 | 6,000,076 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 29,373,910 | \$ 32,133,786 | \$ 33,570,521 | \$ 32,134,537 | \$ 33,219,333 |
| Contributions as a % of Covered Payro | 11.77% | 11.85% | 13.89% | 15.53% | 18.06% |

| CalSTRS Plan | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually Required Contributions | \$ 7,453,402 | \$ 9,499,982 | \$ 11,567,541 | \$ 12,613,510 | \$ 14,710,157 |
| Contributions in Relation to Contractually Required Contributions | 7,453,402 | 9,499,982 | 11,567,541 | 12,613,510 | 14,710,157 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 83,934,707 | \$ 88,536,645 | \$ 91,951,836 | \$ 87,411,712 | \$ 90,357,230 |
| Contributions as a % of Covered Payro | 8.88% | 10.73% | 12.58% | 14.43% | 16.28% |

CHANGES IN BENEFIT PLAN OBLIGATIONS

| | Balance | | | Balance | | |
|--------------------------------|----------------|---------------|----------------|----------------|----------------|--|
| Plan | July 01, 2018 | Additions | Deletions | June 30, 2019 | Net Change | |
| CalPERS | \$ 62,847,110 | \$26,351,622 | \$ 24,793,897 | \$ 64,404,835 | \$ 1,557,725 | |
| CalSTRS | 159,988,670 | 47,850,280 | 58,030,540 | 149,808,410 | (10,180,260) | |
| OPEB | 54,785,583 | 4,622,256 | 975,974 | 58,431,865 | 3,646,282 | |
| Early Retirement Incentives | 4,218,662 | - | 1,892,565 | 2,326,097 | (1,892,565) | |
| Total Benefit Plan Liabilities | \$ 749,787,283 | \$ 85,025,748 | \$ 107,902,147 | \$ 720,628,883 | \$ (6,868,818) | |

CHANGE IN NET POSITION

| Change in Net Position | | | | | | |
|------------------------------------|-------------------------|------------------------|--------------------------|-------------------|-------------------------|------------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,771,756 | \$ 1,127,750 | \$ 801,823 | \$ 692,789 | \$ 2,573,579 | \$ 1,820,539 |
| Operating Grants and Contributions | 35,899,802 | 27,302,357 | 2,195 | 1,119 | 35,901,997 | 27,303,476 |
| Capital Grants and Contributions | 1,766 | 4,453 | - | - | 1,766 | 4,453 |
| General Revenues and Special Items | 213,978,561 | 208,315,107 | 4,792 | 2,069 | 213,983,353 | 208,317,176 |
| Total Revenues | 251,651,885 | 236,749,667 | 808,810 | 695,977 | 252,460,695 | 237,445,644 |
| Program Expenses | | | | | | |
| Instruction | 150,446,717 | 136,422,235 | - | - | 150,446,717 | 136,422,235 |
| Instruction-Related Services | 33,290,567 | 28,718,585 | - | - | 33,290,567 | 28,718,585 |
| Pupil Services | 23,613,211 | 21,647,162 | - | - | 23,613,211 | 21,647,162 |
| General Administration | 16,069,897 | 13,610,100 | - | - | 16,069,897 | 13,610,100 |
| Plant Services | 24,025,171 | 20,168,776 | - | - | 24,025,171 | 20,168,776 |
| Ancillary Services | 1,686,384 | 1,350,136 | - | - | 1,686,384 | 1,350,136 |
| Community Services | 236,764 | 234,985 | - | - | 236,764 | 234,985 |
| Enterprise | 128,159 | - | 755,979 | 651,653 | 884,138 | 651,653 |
| Interest on Long-term Debt | 16,736,878 | 19,470,965 | - | - | 16,736,878 | 19,470,965 |
| Other Outgo | 34,525 | 18,524 | - | - | 34,525 | 18,524 |
| Total Expenses | 266,268,273 | 241,641,468 | 755,979 | 651,653 | 267,024,252 | 242,293,121 |
| Change in Net Position | (14,616,388) | (4,891,801) | 52,831 | 44,324 | (14,563,557) | (4,847,477) |
| Beginning Net Position | (99,228,600) | (67,584,122) | 198,302 | 153,978 | (99,030,298) | (67,430,144) |
| Prior Period Adjustments | 6,624,726 | (26,752,677) | - | - | 6,624,726 | (26,752,677) |
| Ending Net Position | \$ (107,220,262) | \$ (99,228,600) | \$ 251,133 | \$ 198,302 | \$ (106,969,129) | \$ (99,030,298) |

CHANGE IN FUND BALANCES

| Change in Fund Balances | | | | |
|-----------------------------------|---------------|----------------|------------------------|---------|
| Funds | 2019 | 2018 | Increase (Decrease) | Percent |
| General Fund | \$ 15,115,504 | \$ 12,330,229 | \$ 2,785,275 | 22.6% |
| Building Fund | 26,354,734 | 104,219,317 | (77,864,583) | -74.7% |
| Bond Interest and Redemption Fund | 24,227,033 | 28,042,529 | (3,815,496) | -13.6% |
| Nonmajor Governmental Funds | 11,264,583 | 8,639,379 | 2,625,204 | 30.4% |
| Enterprise Fund | 251,133 | 198,302 | 52,831 | 26.6% |
| Internal Service Fund | 806,747 | 562,216 | 244,531 | 43.5% |
| Total Fund Balances | \$ 78,019,734 | \$ 153,991,972 | \$ (75,972,238) | -49.3% |

FINANCIAL TRENDS AND ANALYSIS

| General Fund | 2019 | 2018 | 2017 |
|---------------------------------------------------|----------------|----------------|----------------|
| Revenues and other financial sources | \$ 204,012,371 | \$ 182,284,028 | \$ 181,177,227 |
| Expenditures | 199,059,103 | 179,433,727 | 182,884,379 |
| Other uses and transfers (out) | 2,029,241 | 1,127,220 | 383,910 |
| Total outgo | 201,088,344 | 180,560,947 | 183,268,289 |
| Change in fund balance | \$ 2,924,027 | \$ 1,723,081 | \$ (2,091,062) |
| Adjustments to fund balance | \$ (138,752) | \$ - | \$ 750 |
| Ending fund balance | \$ 15,115,504 | \$ 12,330,229 | \$ 10,607,148 |
| Available reserves | \$ 10,283,146 | \$ 9,059,690 | \$ 6,761,940 |
| Available reserves as a percentage of total outgo | 5.11% | 5.02% | 3.69% |
| Total long-term debt | \$ 720,628,883 | \$ 749,787,283 | \$ 689,621,033 |
| Average daily attendance at P-2 | 15,722 | 15,942 | 16,152 |

AUDIT RESULTS

- **NO EXCEPTIONS IN AUDIT OPINIONS**
- **NO MATERIAL WEAKNESSES**
- **NO DISAGREEMENTS WITH MANAGEMENT**
- **NO SIGNIFICANT PASSED ON ADJUSTMENTS**



FACTORS BEARING ON THE DISTRICT'S FUTURE

- **SINCE 2014-2015, THE DISTRICT'S ENROLLMENT HAS DROPPED 777 STUDENTS, WITH DEMOGRAPHIC PROJECTIONS SHOWING CONTINUOUS DECLINES OVER THE NEXT DECADE. SUCH DECLINES WILL INFORM REQUIRED DISCUSSIONS AND DECISIONS AROUND THE OPERATION OF FACILITIES AND THE AVAILABILITY OF PROGRAM OFFERINGS. THE DISTRICT WILL NEED TO CONTINUE TO MAKE BOTH CERTIFICATED AND CLASSIFIED CUTS TO ADDRESS DECLINING ENROLLMENT.**