RIO ELEMENTARY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

RIO ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Rio Elementary School District
Oxnard, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rio Elementary School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rio Elementary School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 18 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, other postemployment benefit information (OPEB) funding progress, District's proportionate share of the net pension liability, and District contributions on pages 65 through 68, respectively, 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 Rio Elementary School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the Rio Elementary 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Elementary School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2015

EDUCATING LEARNERS FOR THE 21ST CENTURY

This section of Rio Elementary School District's (the District) 2014-2015 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information for 2013-2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

> The G*overnmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are agency funds, which are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Rio Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, one way to measure the District's *financial health*, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and Community Facilities District (CFD) debt service. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $65.0 million for the fiscal year ended June 30, 2015. Of this amount, ($30.0) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and changes in the net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	2014 as restated
Assets		
Current and other assets	$ 34,574,850	$ 18,487,386
Capital assets	120,061,699	121,233,580
Total Assets	**154,636,549**	**139,720,966**
Deferred Outflows of Resources	**2,238,112**	**1,779,222**
Liabilities		
Current liabilities	4,801,848	7,228,345
Long-term obligations	56,059,894	40,476,637
Aggregate net pension liability	24,472,788	30,691,170
Total Liabilities	**85,334,530**	**78,396,152**
Deferred Inflows of Resources	**6,571,577**	**-**
Net Position		
Net investment in capital assets	89,060,102	100,936,312
Restricted	5,865,944	4,215,004
Unrestricted (Deficit)	(29,957,492)	63,104,036
Total Net Position	**$ 64,968,554**	**$ 168,255,352**

The ($30.0) million in unrestricted (deficit) net position of governmental activities represent the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our non-capital liabilities (bonds as an example): we would have a ($30.0) million deficit.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 147,594	$ 165,791
Operating grants and contributions	10,605,382	14,139,516
Capital grants and contributions	2,581	2,648
General revenues:		
Federal and State aid not restricted	28,948,490	22,651,331
Property taxes	9,490,810	13,375,641
Other general revenues	3,045,121	19,554,067
Total Revenues	**52,239,978**	**69,888,994**
Expenses		
Instruction-related	35,521,598	32,302,444
Pupil services	6,181,975	5,887,747
Administration	4,064,142	5,410,667
Plant services	5,642,949	4,451,890
Other	3,464,796	3,382,175
Total Expenses	**54,875,460**	**51,434,923**
Extraordinary item - settlement of liability	4,500,000	-
Change in Net Position	**$ 1,864,518**	**$ 18,454,071**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $54.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $9.5 million (levied for general purposes and for debt service) because the cost was paid by those who benefited from the programs was $0.1 million, and by other governments and organizations who subsidized certain programs with grants and contributions was $10.6 million. We paid for the remaining "public benefit" portion of our governmental activities with $28.9 million in unrestricted Federal and State funds, and $3.0 million in interest and investment earnings and other revenues.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction-related activities	$ 35,521,598	$ 32,302,444	$ 30,647,297	$ 26,420,749
Pupil services	6,181,975	5,887,747	2,255,350	2,535,224
Administration	4,064,142	5,410,667	3,799,808	5,087,676
Plant services	5,642,949	4,451,890	5,408,501	4,395,045
Other	3,464,796	3,382,175	2,008,947	(1,311,726)
Total	**$ 54,875,460**	**$ 51,434,923**	**$ 44,119,903**	**$ 37,126,968**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $30.2 million, which is an increase of $18.5 million over last year.

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 6,381,796	$ 45,020,531	$ 45,054,228	$ 6,348,099
Building Fund	46,562	20,000,093	2,145,914	17,900,741
Capital Facilities Fund	1,537,761	7,302,146	8,311,457	528,450
Cafeteria Fund	88,796	3,301,297	3,362,463	27,630
County Schools Facilities Fund	895,862	1,970,713	150,235	2,716,340
CFD Capital Projects	1,430,314	318,859	560,542	1,188,631
Bond Interest and Redemption Fund	1,289,570	1,731,887	1,538,181	1,483,276
Total	**$ 11,670,661**	**$ 79,645,526**	**$ 61,123,020**	**$ 30,193,167**

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 15, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.)

1. Local Control Funding Formula variances can be attributed to the inclusion of special education students served at Ventura Office of Education and higher daily student attendance than previously estimated. The increase in other State revenue is primarily attributable to recognizing CalSTRS on behalf payment of $827,901 in actual State revenues, but was not included in the budgeted amounts. In addition, other funds are consolidated into the General Fund for reporting purposed. However, these funds revenues were not included in the General Fund budgets.

2. The District used employees, both classified and certificated, working additional hours instead of outside services. This caused variances in the certificated and classified salary areas, offset by the services and operating expenditures. The majority of the variance in reporting employee benefits are attributable to recognizing CalSTRS on-behalf payment of $827,901 in actual revenues and expenditures, but were not included in the budgeted amounts. In addition, other funds are consolidated into the General Fund for reporting purposed. However, these funds revenues were not included in the General Fund budgets. Overall actual year-end expenditures were less than budgeted. As a note, categorical program budgets which were not fully expended are reserved and carried over to the next fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had $120.1 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1.2 million, or 1.0 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land	$ 11,107,629	$ 11,107,629
Construction in progress	1,154,804	235,233
Buildings and improvements	107,188,433	109,067,035
Equipment	610,833	823,683
Total	**$ 120,061,699**	**$ 121,233,580**

Long-Term Obligations

At the end of this year, the District had $56.1 million in long-term obligations outstanding versus $40.5 million last year, an increase of 38.5 percent. The long-term obligations consisted of:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds	$ 33,360,000	$ 14,040,000
Premium on issuance	915,526	520,298
Certificates of participation	13,240,000	7,145,000
Premium (discount) on issuance - net	(42,222)	39,667
Lease purchase agreement	2,595,132	2,955,173
Capital lease obligations	22,533	28,879
Compensated absences	290,263	261,396
Supplemental retirement payments	85,000	106,000
Legal settlement	73,156	78,156
Litigation	-	11,000,000
Other postemployment benefits (OPEB)	5,520,506	4,302,068
Total	**$ 56,059,894**	**$ 40,476,637**

The District's general obligation bond rating for the last bond sale in August 2007 was "AAA". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $33,360,000 is below the statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (other than health benefits), and other long-term obligations. More detailed information regarding long-term obligations is reported in the financial statements.

Net Pension Liability (NPL)

At year-end, the District had an outstanding pension liability of $24,472,788, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 20152015-2016 year, the governing board and management used the following criteria:

1. Changes in the LCFF for 2015-2016 include a significant increase for the District in the third year implementation of the LCFF, significant one time mandated cost funding from the state, plus a projected enrollment growth of 65 students.

2. As part of the District's Local Control Accountability Plan, the District implemented class size reduction for first grade students and continued class size reduction and a full day program for kindergarten students.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grade kindergarten	24:1	1,181
Grades first through third	30:1	1,128
Grades four through eight	32:1	2,702

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Rio School District, 2500 Vineyard Avenue, Oxnard, California, 93036, or e-mail at kpifko@rioschools.org.

RIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 30,559,426
Receivables	3,959,371
Prepaid expenses	14,604
Stores inventories	41,449
Capital Assets	
Land and construction in process	12,262,433
Other capital assets	138,862,438
Less: accumulated depreciation	(31,063,172)
Total Capital Assets	120,061,699
Total Assets	154,636,549
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	2,238,112
LIABILITIES	
Accounts payable	4,294,859
Accrued interest payable	420,165
Unearned revenue	86,824
Long-Term Obligations	
Current portion of long-term obligations other than pensions	1,515,026
Noncurrent portion of long-term obligations other than pensions	54,544,868
Total Long-Term Obligations	56,059,894
Aggregate net pension liability	24,472,788
Total Liabilities	85,334,530
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	6,571,577
NET POSITION	
Net investment in capital assets	89,060,102
Restricted for:	
Debt service	1,063,111
Capital projects	3,244,790
Educational programs	1,544,375
Child Nutrition program	13,668
Unrestricted deficit	(29,957,492)
Total Net Position	$ 64,968,554

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

RIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 30,657,779	$ 5,846	$ 4,567,126	$ 2,581	$ (26,082,226)
Instruction-related activities:					
Supervision of instruction	993,001	241	178,828	-	(813,932)
Instructional library, media, and technology	1,088,687	-	39,472	-	(1,049,215)
School site administration	2,782,131	39	80,168	-	(2,701,924)
Pupil services:					
Home-to-school transportation	823,535	-	5,629	-	(817,906)
Food services	3,315,015	109,868	2,937,118	-	(268,029)
All other pupil services	2,043,425	1,968	872,042	-	(1,169,415)
Administration:					
Data processing	730,761	-	6,065	-	(724,696)
All other administration	3,333,381	2,490	255,779	-	(3,075,112)
Plant services	5,642,949	283	234,165	-	(5,408,501)
Ancillary services	50,213	-	1,302	-	(48,911)
Community services	2,449	-	-	-	(2,449)
Interest on long-term obligations	1,832,516	-	-	-	(1,832,516)
Other outgo	1,579,618	26,859	1,427,688	-	(125,071)
Total Governmental Activities	$ 54,875,460	$ 147,594	$ 10,605,382	$ 2,581	(44,119,903)

General Revenues and Subventions:	
Property taxes, levied for general purposes	7,916,280
Property taxes, levied for debt service	1,299,513
Taxes levied for other specific purposes	275,017
Federal and State aid not restricted to specific purposes	28,948,490
Interest and investment earnings	23,461
Miscellaneous	3,021,660
Subtotal, General Revenues	41,484,421
Extraordinary item - settlement of liability	4,500,000
Change in Net Position	1,864,518
Net Position - Beginning, as restated	63,104,036
Net Position - Ending	$ 64,968,554

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

RIO ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Funds	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 6,072,781	$ 19,328,362	$ 1,707,054
Receivables	3,328,063	-	-
Due from other funds	508,202	-	921,517
Prepaid expenditures	12,110	2,494	-
Stores inventories	27,487	-	-
Total Assets	$ 9,948,643	$ 19,330,856	$ 2,628,571
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,640,612	$ 1,430,115	$ 40,725
Due to other funds	873,108	-	2,059,396
Unearned revenue	86,824	-	-
Total Liabilities	3,600,544	1,430,115	2,100,121
Fund Balances:			
Nonspendable	44,597	2,494	-
Restricted	1,544,375	17,898,247	528,450
Assigned	2,756,001	-	-
Unassigned	2,003,126	-	-
Total Fund Balances	6,348,099	17,900,741	528,450
Total Liabilities and Fund Balances	$ 9,948,643	$ 19,330,856	$ 2,628,571

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

Non-Major Governmental Funds	Total Governmental Funds
$ 3,451,229	$ 30,559,426
631,308	3,959,371
2,048,106	3,477,825
-	14,604
13,962	41,449
$ 6,144,605	$ 38,052,675
$ 183,407	$ 4,294,859
545,321	3,477,825
-	86,824
728,728	7,859,508
13,962	61,053
5,401,915	25,372,987
-	2,756,001
-	2,003,126
5,415,877	30,193,167
$ 6,144,605	$ 38,052,675

RIO ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 30,193,167**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 151,124,871	
Accumulated depreciation is	(31,063,172)	
Net Capital Assets		120,061,699
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,238,112
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(420,165)
The difference between projected and actual earnings pension plan investments earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(6,571,577)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(24,472,788)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, they are not reported as liabilities in the funds. However, long-term obligations are recognized in the government-wide financial statements.		
Long-term obligations at year-end consist of:		
General obligation bonds	(33,360,000)	
Unamortized premium	(952,989)	
Certificates of participation	(13,240,000)	
Unamortized discount	79,685	
Compensated absences	(290,263)	
Capital lease obligation	(22,533)	
Supplement retirement payments	(85,000)	
Legal settlement	(73,156)	
Lease purchase agreement	(2,595,132)	
Other postemployment benefits	(5,520,506)	
Total Long-Term Obligations		(56,059,894)
Total Net Position - Governmental Activities		**$ 64,968,554**

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

RIO ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 35,698,024	$ -	$ -
Federal sources	2,579,860	-	-
Other State sources	3,347,369	-	-
Other local sources	3,395,278	93	326,734
Total Revenues	45,020,531	93	326,734
EXPENDITURES			
Current			
Instruction	27,563,210	-	-
Instruction-related activities:			
Supervision of instruction	966,991	-	-
Instructional library, media and technology	1,069,251	-	-
School site administration	2,640,978	-	-
Pupil services:			
Home-to-school transportation	748,579	-	-
Food services	374	-	-
All other pupil services	1,820,788	-	-
Administration:			
Data processing	576,878	-	-
All other administration	3,183,551	-	7,707
Plant services	4,026,602	1,552	118,671
Facility acquisition and construction	45,241	1,914,362	712,008
Ancillary services	49,385	-	-
Community services	2,449	-	-
Other outgo	1,579,618	-	6,500,000
Debt service			
Principal	122,009	-	285,000
Interest and other	62,912	230,000	605,638
Total Expenditures	44,458,816	2,145,914	8,229,024
Excess (Deficiency) of Revenues Over Expenditures	561,715	(2,145,821)	(7,902,290)
Other Financing Sources (Uses)			
Transfers in	-	-	595,412
Other sources - proceeds from issuance of general obligations bonds	-	20,000,000	-
Other sources - premium on issuance of general obligation bonds	-	-	-
Other sources - proceeds from issuance of certificates of participation	-	-	6,380,000
Other sources - discount on issuance of certificates of participation	-	-	(82,433)
Transfers out	(595,412)	-	-
Net Financing Sources (Uses)	(595,412)	20,000,000	6,892,979
Extraordinary Item			
Settlement of liability	-	-	-
NET CHANGE IN FUND BALANCES	(33,697)	17,854,179	(1,009,311)
Fund Balances - Beginning	6,381,796	46,562	1,537,761
Fund Balances - Ending	$ 6,348,099	$ 17,900,741	$ 528,450

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 35,698,024
2,952,899	5,532,759
178,905	3,526,274
1,792,684	5,514,789
4,924,488	50,271,846
-	27,563,210
-	966,991
-	1,069,251
-	2,640,978
-	748,579
3,274,381	3,274,755
-	1,820,788
-	576,878
80,319	3,271,577
32,168	4,178,993
340,390	3,012,001
-	49,385
-	2,449
-	8,079,618
924,378	1,331,387
959,785	1,858,335
5,611,421	60,445,175
(686,933)	(10,173,329)
-	595,412
-	20,000,000
430,136	430,136
-	6,380,000
-	(82,433)
-	(595,412)
430,136	26,727,703
1,968,132	1,968,132
1,711,335	18,522,506
3,704,542	11,670,661
$ 5,415,877	$ 30,193,167

RIO ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ 18,522,506**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and are allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation expense exceeds capital outlay in the period:		
Depreciation expense	$ (2,959,460)	
Capital outlays	1,787,579	
		(1,171,881)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (cash in lieu of medical benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned was more than amounts used by $28,867. Early retirement incentive Special termination benefits used was more than the amount earned by $21,000.		(7,867)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities. This adjustment combines the net changes of the following balances:		
Proceeds from sale of general obligations bonds	(20,000,000)	
Proceeds from sale of certificates of participation	(6,380,000)	
Combined adjustment		(26,380,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:		
Premium on issuance	(430,136)	
Discount on issuance	82,433	
Combined adjustment		(347,703)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		105,695

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

RIO ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 680,000	
Capital lease obligation	6,346	
Certificates of participation	285,000	
Lease purchase agreement	360,041	
Combined adjustment		$ 1,331,387
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported when incurred, regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	37,112	
Amortization of debt discount	(2,748)	
Combined adjustment		34,364
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest on the general obligation bonds, certificates of participation, and lease purchase increased by $8,545.		(8,545)
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as expense. The actual amount of the contribution was less than the annual required contribution.		(1,218,438)
The District entered into a settlement agreement during the current year and settled its outstanding FTR litigation liability. Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide financial statement, however, which are presented on the accrual basis, expenses and liabilities are reported when incurred, regardless of when financial resources are available.		11,000,000
The District reached a settlement agreement during the 2005-2006 fiscal year. Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide financial statements, however, which are presented on the accrual basis, expenses and liabilities are reported when incurred, regardless of when financial resources are available. The amount of settlement paid in the current was more than the amount incurred by $5,000.		5,000
Change in Net Position of Governmental Activities		**$ 1,864,518**

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

RIO ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	CFD Debt Service Fund	ASB Funds	Total
ASSETS			
Deposits and investments	$ 6,225,731	$ 55,665	$ 6,281,396
LIABILITIES			
Accounts payable	$ 168,960	$ -	$ 168,960
Due to student groups	-	55,665	55,665
Due to bond holders	6,056,771	-	6,056,771
Total Liabilities	$ 6,225,731	$ 55,665	$ 6,281,396

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Rio Elementary School District (the District) was organized in September 1885 under the laws of the State of California. The District operates under a locally-elected five-member board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates six elementary schools and two middle schools.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Rio Elementary School District Financing Corporation's (the Corporation) financial activity is presented in the financial statements within the Capital Facilities Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Rio Elementary School District Financing Corporation.

The Rio Elementary School District Community Facilities District No. 1's (CFD) capital outlay activity is presented in the financial statements as the CFD Capital Projects Fund.

Special tax bonds issued by the CFD are not included as long-term liabilities in the government-wide financial statements as they are not obligations of the District. Monies collected for this non-obligatory debt is accounted for in the CFD Debt Service Agency Fund. See Note 10 for additional information.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as this fund is no longer primarily composed of restricted or committed revenue sources. As the District has not taken formal action to commit the flexed revenues formerly restricted to this program to the continued operation of the original programs, the revenue within this fund would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase (decrease) in assets, fund balance, and revenues of $1,791,811, $2,754,001, and ($954,034), respectively.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

Non-Major Governmental Funds

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

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for the CFD Debt Service and the student body activities (ASB).

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

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

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

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 combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor

Prepaid Expenditures

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at lower of cost or market, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental-type funds.

Capital Assets and Depreciation

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

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

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

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports $5,865,944 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $28,911,948. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 30,559,426
Fiduciary funds	6,281,396
Total Deposits and Investments	$ 36,840,822

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 64,865
Cash in revolving	5,000
Investments	36,770,957
Total Deposits and Investments	$ 36,840,822

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Ventura County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Fair Value	Weighted Average Maturity in Days
Ventura County Investment Pool	$ 28,212,856	$ 28,185,911	295
Fidelity Institutional Money Market Fund - Governmental Portfolio III	1,292,578	1,292,578	34
Invesco Private Investment - Treasury Portfolio	7,265,523	7,265,523	46
Total	$ 36,770,957	$ 36,744,012	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Ventura County Investment Pool, Fidelity Institutional Money Market Fund – Government Portfolio III, and Invesco Private Portfolio – Treasury Portfolio are rated AAA by Standard and Poor's rating services.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank deposits were not exposed to custodial credit risk because they were fully insured.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 1,090,884	$ 443,845	$ 1,534,729
State Government			
Categorical aid	306,306	37,683	343,989
Lottery	401,389	-	401,389
Special education	140,535	-	140,535
Local Sources			
Ventura County Office of Education	727,570	-	727,570
Other	661,379	149,780	811,159
Total	$ 3,328,063	$ 631,308	$ 3,959,371

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 11,107,629	$ -	$ -	$ 11,107,629
Construction in process	235,233	1,787,579	868,008	1,154,804
Total Capital Assets Not Being Depreciated	11,342,862	1,787,579	868,008	12,262,433
Capital Assets Being Depreciated				
Land improvements	3,074,022	164,375	-	3,238,397
Buildings and improvements	130,411,030	703,633	-	131,114,663
Furniture and equipment	4,524,789	-	15,411	4,509,378
Total Capital Assets Being Depreciated	138,009,841	868,008	15,411	138,862,438
Less Accumulated Depreciation				
Land improvements	2,330,110	106,908	-	2,437,018
Buildings and improvements	22,087,907	2,639,702	-	24,727,609
Furniture and equipment	3,701,106	212,850	15,411	3,898,545
Total Accumulated Depreciation	28,119,123	2,959,460	15,411	31,063,172
Governmental Activities Capital Assets, Net	$ 121,233,580	$ (303,873)	$ 868,008	$ 120,061,699

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 2,308,424
School site administration	177,571
Home-to-school transportation	59,191
All other pupil services	59,191
Data processing	29,536
All other general administration	147,977
Plant services	177,570
Total Depreciation Expenses Governmental Activities	$ 2,959,460

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
General Fund	$ -	$ 102,881	$ 405,321	$ 508,202
Capital Facilities Fund	781,517	-	140,000	921,517
Non-Major Governmental Funds	91,591	1,956,515	-	2,048,106
Total	$ 873,108	$ 2,059,396	$ 545,321	$ 3,477,825

A balance of $781,517 is due to the Capital Facilities Fund from the General Fund for the required debt service payment related to the District's certificates of participation.

A balance of $223,500 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for a temporary operating loan.

The balance of $181,821 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for benefits, indirect costs, and other operating expenditures.

A balance of $140,000 is due to the Capital Facilities Fund from the Cafeteria Non-Major Governmental Fund for a temporary operating loan.

A balance of $1,956,515 is due to the County School Facilities Non-Major Governmental Fund from the Capital Facilities Fund for payment of District's matching funds for capital outlay projects.

The remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From General Funds
Capital Facilities Fund	$ 595,412
The General Fund transferred to the Capital Facilities Fund for the required debt service payment related to the District's outstanding certificates of participation.	$ 595,412

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Activities
Materials and supplies	$ 114,111	$ 494,382	$ 2,344	$ 121,011	$ 731,848	$ -
Services	144,718	6,526	21,293	3,376	175,913	-
LCFF apportionment	56,743	-	-	-	56,743	-
Salaries and benefits	755,926	-	-	50,821	806,747	-
Construction	-	929,207	17,088	-	946,295	-
Due to SELPA	1,569,114	-	-	-	1,569,114	-
Other vendors	-	-	-	8,199	8,199	168,960
Total	$ 2,640,612	$1,430,115	$ 40,725	$ 183,407	$ 4,294,859	$ 168,960

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
Federal financial assistance	$ 86,824

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued $1,825,000 of Tax Revenue Anticipation Notes dated February 22, 2014, through the California School Cash Reserve Program Authority. The notes matured on October 1, 2014, with an interest rate of 0.284 percent. The notes were sold to supplement cash flow. Repayment terms stipulate that 100 percent of principal and interest were due on the account to a designated fiscal agent by the notes' maturity date. As of June 30, 2015, the District has defeased the debt.

Change in the outstanding liability for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2014	Additions	Payments	Outstanding June 30, 2015
2/25/2014	0.284%	10/1/2014	$ 1,825,000	$ -	$ 1,825,000	$ -

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
2007 General obligation refunding bonds	$ 14,040,000	$ -	$ 680,000	$ 13,360,000	$ 715,000
Premium on issuance	520,298	-	32,518	487,780	-
2014 General obligation bonds, Series A	-	20,000,000	-	20,000,000	-
Premium on issuance	-	430,136	2,390	427,746	-
2007 Certificates of participation	7,145,000	-	285,000	6,860,000	295,000
Premium on issuance	39,667	-	2,204	37,463	-
2015 Certificates of participation		6,380,000	-	6,380,000	100,000
Discount on issuance		(82,433)	(2,748)	(79,685)	
Lease purchase agreement	2,955,173	-	360,041	2,595,132	380,036
Capital leases	28,879	-	6,346	22,533	6,701
Accumulated vacation	261,396	28,867	-	290,263	-
Supplemental retirement payments	106,000	4,000	25,000	85,000	-
Legal settlement	78,156	-	5,000	73,156	18,289
Litigation	11,000,000	-	11,000,000	-	-
Other postemployment benefits	4,302,068	1,756,627	538,189	5,520,506	-
Total	$ 40,476,637	$ 28,517,197	$ 12,933,940	$ 56,059,894	$ 1,515,026

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund. Payments on Certificates of Participation are made by the Capital Facilities Fund. Payments on the District's lease purchase agreement are made by both the General Fund and Capital Projects Fund for Blended Component Units. Capital lease obligation payments are made by the Cafeteria Fund. The General Fund also makes payments for supplemental early retirement and legal settlement. The accrued vacation was paid by the fund for which the employee worked. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
5/2/2007	8/1/2029	3.57-5.00%	$16,396,187	$ 14,040,000	$ -	$ 680,000	$13,360,000
6/4/2015	8/1/2044	2.00-5.00%	20,000,000	-	20,000,000	-	$20,000,000
				$ 14,040,000	$20,000,000	$ 680,000	$33,360,000

2007 General Obligation Refunding Bonds

On May 2, 2007, the District issued the 2007 General Obligation Refunding Bonds (the Refunding Bonds) in the amount of $16,396,187, to refund the portions of the 1997 General Obligation Bonds, Series A, B, and C. The Refunding Bonds were issued as both current interest ($15,690,000) and capital appreciation bonds ($706,187), with the value of the capital appreciation bonds accreting $263,813, and an aggregate principal debt service balance of $970,000. At June 30, 2015, Refunding Bonds in the amount of $13,360,000 were outstanding. The unamortized premium was $487,780 at June 30, 2015.

2014 General Obligation Bonds, Series A

On June 4, 2015, the Rio Elementary School District issued the 2014 General Obligation Bonds, Series A in the amount of $20,000,000. The Series A represents the first series of the reauthorized bonds not to exceed $38,500,000 to be issued under the measure as approved by the voters. The Series A bonds were issued as current interest bonds with an aggregate principal debt service balance of $20,000,000. The bonds were issued at an aggregate price of $19,977,661 (representing the principal amount of $20,000,000 plus an original issue premium of $430,136 less cost of issuance of $452,475).

The bonds have a final maturity to occur on August 1, 2044 with interest rates ranging from 2.00 to 5.00 percent. Proceeds from the sale of bonds will be used to finance the renovation, acquisition, and construction of District buildings and facilities. At June 30, 2015, the principal outstanding was $20,000,000 and unamortized premium received on issuance was $427,746.

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 715,000	$ 1,148,630	$ 1,863,630
2017	1,295,000	1,940,931	3,235,931
2018	1,380,000	1,933,257	3,313,257
2019	815,000	1,289,332	2,104,332
2020	855,000	1,247,581	2,102,581
2021-2025	5,285,000	6,037,536	11,322,536
2026-2030	6,090,000	5,907,419	11,997,419
2031-2035	3,050,000	6,490,644	9,540,644
2036-2040	5,280,000	7,833,838	13,113,838
2041-2045	8,595,000	9,521,638	18,116,638
Total	$ 33,360,000	$ 43,350,806	$ 35,939,686

2007 Certificates of Participation

On March 14, 2007, the District, under the California School Boards Association Financing Corporation, issued $8,335,000 in Certificates of Participation. The Certificates mature September 1, 2032, and bear interest rates from 3.5 to 5.5 percent. A portion of the proceeds, $1,305,000, was used to prepay the District's Capital Appreciation Certificates of Participation. The remainder was used to finance costs associated with the completion of the construction of Rio Rosales Elementary School and other District facilities, to fund the Debt Service Reserve Fund, and to pay the costs related to the issuance of the Certificates of participation. At June 30, 2015, the principal outstanding was $6,860,000 and unamortized premium received on issuance was $37,463.

The certificates mature through September 1, 2032, as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 295,000	$ 293,332	$ 588,332
2017	310,000	277,108	587,108
2018	330,000	260,058	590,058
2019	340,000	247,682	587,682
2020	355,000	234,082	589,082
2021-2025	1,990,000	945,104	2,935,104
2026-2030	2,330,000	494,845	2,824,845
2031-2032	910,000	59,125	969,125
Total	$ 6,860,000	$ 2,811,336	$ 9,671,336

2015 Certificates of Participation

On June 4, 2015, the Rio Elementary School District, under the Public Property Financing Corporation of California, issued 2015 Certificates of Participation in the amount of $6,380,000. The certificates were issued as current interest certificates. The certificates were issued at an aggregate price of $6,002,312 (representing principal amount of $6,380,000 and discount of $82,433, less cost of issuance of $295,255). The certificates have a final maturity which occurs on March 1, 2045 with interest rates of 2.0 to 4.0 percent. Proceeds from the sale of certificates were used to pay an outstanding obligation related to prior school construction project. At June 30, 2015, the principal outstanding was $6,380,000 and unamortized discount on issuance was $79,685

The certificates mature through March 1, 2045, as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 100,000	$ 168,604	$ 268,604
2017	135,000	225,331	360,331
2018	140,000	221,281	361,281
2019	145,000	218,481	363,481
2020	145,000	215,581	360,581
2021-2025	790,000	1,017,056	1,807,056
2026-2030	910,000	889,988	1,799,988
2031-2035	1,085,000	717,800	1,802,800
2036-2040	1,325,000	484,000	1,809,000
2041-2045	1,605,000	197,600	1,802,600
Total	$ 6,380,000	$ 4,355,722	$ 10,735,722

Lease Purchase Agreement

The District has entered into a lease agreement for the purchase of its District Office. The lease is divided into two parts. The tax-exempt part is for the portion of the building that the District occupies. The initial balance on this lease was $3,975,193 and it bears interest at 4.35 percent. The other is for the portion of the building that the District leases out. The initial balance on this lease was $2,025,000, and it bears interest at 6.64 percent. Both parts of the lease are scheduled to be paid in full by October 1, 2020. The remaining balance at June 30, 2015, is $2,595,132.

The lease payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 380,036	$ 124,227	$ 504,263
2017	400,031	104,289	504,320
2018	420,026	83,252	503,278
2019	440,020	61,173	501,193
2020	465,012	37,889	502,901
2021	490,007	12,941	502,948
Total	$ 2,595,132	$ 423,771	$ 3,018,903

Capital Leases

The District has entered into an agreement to lease a dump truck. Such an agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on the lease agreement with an option to purchase is summarized below:

Balance, July 1, 2014	$ 32,347
Payments	(7,763)
Balance, June 30, 2015	$ 24,584

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 7,763
2017	7,763
2018	7,763
2019	1,295
Total	24,584
Less: Amount Representing Interest	(2,051)
Present Value of Minimum Lease Payments	$ 22,533

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $290,263.

Supplemental Retirement Payments

For all employees hired prior to July 1, 1992, the District will provide family medical, dental, and vision from retirement until age 65 if the employee has completed a minimum of 15 years with the District. The District will also provide the employee with supplemental retirement payments for every year of service with the District upon retirement. Employees have the option of receiving a lump-sum payment or payments in installments. As of June 30, 2015, there were a total of three employees eligible to receive the supplemental retirement payments. The current outstanding liability to the District is $85,000.

Legal Settlement

During the 2005-2006 fiscal year, the District reached a settlement agreement with the former superintendent. The original agreement stipulated that the District will make five annual payments to the former superintendent and two annual payments for attorney fees. The total liability to the District was $1,484,540, including accrued interest. Since the original agreement, the District renegotiated the terms of the settlement numerous times to allow financial flexibility. During the 2014-2015 fiscal year, the District has renegotiated the terms of the settlement in accordance to the following schedule:

Fiscal Year	Total
2016	$ 18,289
2017	18,289
2018	18,289
2019	18,289
Total	$ 73,156

Litigation

The District was a defendant in a lawsuit brought by a general contractor company (the contractor) which was retained by the District to construct a school. The contractor filed a suit for breach of contract for unpaid retention, work outside the contract, delay, disruption, and related damages. The District filed a separate action for violation of the California False Claims Act. During the 2012-2013 and 2013-2014, the court issued rulings in favor of the contractor and awarded the contractor $5,443,417 in damages, plus an estimated $3,850,000 for opposing counsel's legal fees and an estimated $1,706,583 in penalties and interest. Subsequently, the District filed a motion for appeal. The court of appeals made its decisions during the current fiscal year and the ruling did not significantly modify the original amount awarded. In April 2015, the District entered into an agreement to settle the outstanding liability for a sum of $6,500,000. Proceeds from the issuance of 2015 Certificates of Participation in conjunction with reserves held in 2007 Certificates of Participation were used to pay in full this liability as of June 30, 2015.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $1,833,333, and contributions made by the District during the year were $538,189. Interest on the net OPEB obligation and adjustments to the annual required contribution were $172,083 and $(248,789), respectively, which resulted in an increase to the net OPEB obligation of $1,218,438. As of June 30, 2015, the net OPEB obligation was $5,520,506. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - COMMUNITY FACILITIES DISTRICT BONDS (NON-OBLIGATORY DEBT)

These bonds are authorized to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the Community Facilities District. Neither the faith and credit nor taxing power of the Rio Elementary School District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the Rio Elementary School District has no duty to pay the delinquency out of any available funds of the District. The Rio Elementary School District acts solely as an agent for those paying taxes levied and the bondholders. The Rio Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2013, and Series 2014 have remaining balances as of June 30, 2015, of $55,190,000.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 5,000	$ -	$ -	$ -	$ 5,000
Stores inventories	27,487	-	-	13,962	41,449
Prepaid expenditures	12,110	2,494	-	-	14,604
Total Nonspendable	44,597	2,494	-	13,962	61,053
Restricted					
Legally restricted	1,544,375	-	-	13,668	1,558,043
Capital projects	-	17,898,247	528,450	3,904,971	22,331,668
Debt services	-	-	-	1,483,276	1,483,276
Total Restricted	1,544,375	17,898,247	528,450	5,401,915	25,372,987
Assigned					
Postemployment benefits	2,743,010	-	-	-	2,743,010
Deferred maintenance	12,991	-	-	-	12,991
Total Assigned	2,756,001	-	-	-	2,756,001
Unassigned					
Reserve for economic uncertainties	1,326,654	-	-	-	1,326,654
Remaining unassigned	676,472	-	-	-	676,472
Total Unassigned	2,003,126	-	-	-	2,003,126
Total	$ 6,348,099	$ 17,900,741	$ 528,450	$ 5,415,877	$ 30,193,167

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	$ 44,068,939	$ 45,054,228	$ (985,289)

* Includes on behalf payments of $827,901.

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Plan is a single-employer defined benefit health care plan administered by the Rio Elementary School District. The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service for certificated and management employees hired prior to July 1, 1997, and classified employees hired prior to July 1, 1998. Twenty years of service are required for all other employees. The District contributes from 50 percent to 100 percent of the amount of premiums incurred by retirees and their dependents depending on employment classification, hire date, and years of service at retirement. Membership of the Plan consists of 55 retirees and beneficiaries currently receiving benefits; one terminated Plan member entitled to, but not yet receiving benefits and 309 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (RTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed $538,189 to the Plan, all of which was used for current premiums (approximately 82.4 percent of total premiums). Plan members receiving benefits contributed $114,951 or approximately 17.6 percent of total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,833,333
Interest on net OPEB obligation	172,083
Adjustment to annual required contribution	(248,789)
Annual OPEB cost	1,756,627
Contributions made	(538,189)
Increase in net OPEB obligation	1,218,438
Net OPEB obligation, beginning of year	4,302,068
Net OPEB obligation, end of year	$ 5,520,506

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 1,461,293	$ 706,555	48%	$ 3,100,433
2014	1,778,052	576,417	32%	4,302,068
2015	1,756,627	538,189	31%	5,520,506

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	$ -	$ 22,741,315	$ 22,741,315	0%	$ 22,221,274	102%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2015, was 24 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 14 - RISK MANAGEMENT

Description

The Rio Elementary School District's risk management activities are recorded in the General Fund. Employee health programs are administered by the General Fund through payments made to Self-Insured Schools of California (SISC), a public entity risk pool. The District also participates in the Ventura County Schools Self-Funding Authority public entity risk pool for the workers' compensation, property, and liability programs. Refer to Note 17 for additional information regarding the public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Medical Benefits

The District has contracted with the SISC to provide employee health benefits. SISC is a shared risk pool comprised of numerous members in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating entities. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 18,873,130	$ 1,571,124	$ 4,647,472	$ 1,635,682
CalPERS	5,599,658	666,988	1,924,105	496,735
Total	$ 24,472,788	$ 2,238,112	$ 6,571,577	$ 2,132,417

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $1,571,124.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 18,873,130
State's proportionate share of the net pension liability associated with the District	11,396,411
Total	$ 30,269,541

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0323 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,635,682 and revenue and pension expense of $155,977 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,571,124	$ -
Difference between projected and actual earnings on pension plan investments	-	4,647,472
Total	$ 1,571,124	$ 4,647,472

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,161,868
2017	1,161,868
2018	1,161,868
2019	1,161,868
Total	$ 4,647,472

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 29,418,274
Current discount rate (7.60%)	18,873,130
1% increase (8.60%)	10,808,397

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $666,988.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $5,599,658. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0493 percent.

For the year ended June 30, 2015, the District recognized pension expense of $496,735. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 666,988	$ -
Difference between projected and actual earnings on pension plan investments	-	1,924,105
Total	$ 666,988	$ 1,924,105

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 481,026
2017	481,026
2018	481,026
2019	481,027
Total	$ 1,924,105

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 9,823,077
Current discount rate (7.50%)	5,599,658
1% increase (8.50%)	2,070,564

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

District and employee contributions are determined by statute.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $827,901 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) and the Self-Insured Schools of California (SISC) public entity risk pools and the Ventura County Fast Action School Transit Authority (VCFAST) a joint powers authority (JPA). The District pays an annual premium to VCSSFA and CSEBO for its workers' compensation and property liability coverage, and health benefits, respectively. Payments for courier services are paid to the VCFAST. The relationships between the District, the pools, and the JPA are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2015, the District made payments of $873,403, $5,430,975, and $4,108 to VCSSFA, SISC, and VCFAST, respectively, for services received.

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 92,015,984
Adoption of GASB Statement No, 68	
Inclusion of net pension liability	(30,691,170)
Inclusion of deferred outflows of resources	1,779,222
Net Position - Beginning as Restated	$ 63,104,036

REQUIRED SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 34,061,442	$ 35,215,850	$ 35,698,024	$ 482,174
Federal sources	2,068,897	2,376,918	2,579,860	202,942
Other State sources	2,005,088	2,315,797	3,347,369	1,031,572
Other local sources	3,025,956	3,122,000	3,395,278	273,278
Total Revenues [1]	41,161,383	43,030,565	45,020,531	1,989,966
EXPENDITURES				
Current				
Certificated salaries	17,296,695	18,240,310	18,894,905	(654,595)
Classified salaries	4,556,377	4,900,294	5,365,449	(465,155)
Employee benefits	9,374,051	9,581,701	10,256,818	(675,117)
Books and supplies	1,971,230	2,658,527	2,677,987	(19,460)
Services and operating expenditures	5,921,629	6,475,785	5,533,623	942,162
Capital outlay	10,000	55,640	65,789	(10,149)
Other outgo	1,416,000	1,416,000	1,479,324	(63,324)
Debt service - principal	108,012	108,012	122,009	(13,997)
Debt service - interest	42,937	42,937	62,912	(19,975)
Total Expenditures [1]	40,696,931	43,479,206	44,458,816	(979,610)
Excess (Deficiency) of Revenues Over Expenditures	464,452	(448,641)	561,715	1,010,356
Other Financing Sources (Uses)				
Transfers in	1,051,500	1,054,374	-	(1,054,374)
Transfers out	(589,733)	(589,733)	(595,412)	(5,679)
Net Financing Sources (Uses)	461,767	464,641	(595,412)	(1,060,053)
NET CHANGE IN FUND BALANCE	926,219	16,000	(33,697)	(49,697)
Fund Balance - Beginning	6,381,796	6,381,796	6,381,796	-
Fund Balance - Ending	$ 7,308,015	$ 6,397,796	$ 6,348,099	$ (49,697)

[1] On behalf payments of $827,901 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	$ -	$ 14,905,016	$ 14,905,016	0%	$ 19,307,432	77%
July 1, 2011	-	16,637,914	16,637,914	0%	19,796,975	84%
July 1, 2013		22,741,315	22,741,315	0%	22,221,274	102%

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.0323%
District's proportionate share of the net pension liability	$ 18,873,130
State's proportionate share of the net pension liability associated with the District	11,396,411
Total	$ 30,269,541
District's covered - employee payroll	$ 16,207,657
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	116.45%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.0493%
District's proportionate share of the net pension liability	$ 5,599,658
District's covered - employee payroll	$ 5,185,512
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	107.99%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 1,571,124
Contributions in relation to the contractually required contribution	(1,571,124)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 17,692,838
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 666,988
Contributions in relation to the contractually required contribution	(666,988)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 5,666,366
Contributions as a percentage of covered - employee payroll	11.771%

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

SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	$ 890,517
Migrant Education Program			
Title I, Part C - Migrant Education Regular	84.011	14326	278,450
Title I, Part C - Migrant Education Summer	84.011	10005	55,063
Title I, Part C - Even Start Migrant Education	84.011	14768	45,375
Subtotal Migrant Education Program			378,888
Title II, Part A - Improving Teacher Quality	84.367	14341	142,122
Title III, Part A - Limited English Proficient Student Program	84.365	14346	164,159
Passed through Ventura County Office of Education SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	806,679
Preschool Grant, Part B	84.173	13430	24,978
Preschool Local Entitlement	84.027A	13682	53,803
Subtotal Special Education (IDEA) Cluster			885,460
Total U.S. Department of Education			2,461,146
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	125,964
Total U.S. Department of Health and Human Services			125,964
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,662,387
Especially Needy Breakfast Program	10.553	13390	569,419
Commodities	10.555	13396	157,146
Summer Food Service Program	10.559	13004	89,718
Subtotal Child Nutrition Cluster			2,478,670
Child and Adult Care Food Program	10.558	13393	458,143
Child Nutrition Discretionary Grants - Equipment Assistance	10.579	14906	16,086
Total U.S. Department of Agriculture			2,952,899
Total Federal Programs			$ 5,540,009

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Rio Elementary School District was established in 1885 and consists of an area comprising approximately 40 square miles. The District operates six elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ramon Rodriguez	President	2018
Eleanor Torres	Clerk	2018
Cassandra Bautista	Member	2016
Edith Martinez-Cortez	Member	2018
Joe Esquivel	Member	2016

ADMINISTRATION

Dr. John Puglisi	Superintendent
Oscar Hernandez	Assistant Superintendent, Educational Services
Kristen Pifko	Assistant Superintendent, Business Services

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report 8ECDD62B	Annual Report 0CD30DFD
Regular ADA		
Transitional kindergarten through third	2,243.62	2,248.67
Fourth through sixth	1,508.39	1,506.76
Seventh and eighth	1,006.29	1,006.36
Total Regular ADA	4,758.30	4,761.79
Extended Year Special Education		
Transitional kindergarten through third	11.13	11.13
Fourth through sixth	6.70	6.70
Seventh and eighth	0.71	0.71
Total Extended Year Special Education	18.54	18.54
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.99	2.70
Seventh and eighth	1.97	1.11
Total Special Education, Nonpublic, Nonsectarian Schools	2.96	3.81
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.23	0.23
Seventh and eighth	0.11	0.11
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.34	0.34
Total ADA	4,780.14	4,784.48

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	40,680	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,992	180	-	Complied
Grade 2			52,992	180	-	Complied
Grade 3			52,992	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,674	180	-	Complied
Grade 5			55,674	180	-	Complied
Grade 6			60,955	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			60,955	180	-	Complied
Grade 8			60,955	180	-	Complied

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Capital Facilities Fund
FUND BALANCE	
Balance, June 30, 2015, Unaudited Actuals	$ 1,024,621
Decrease in:	
Investments	(496,171)
Balance, June 30, 2015, Audited Financial Statement	$ 528,450

	County School Facilities Fund
FUND BALANCE	
Balance, June 30, 2015, Unaudited Actuals	$ 748,208
Decrease in:	
Accounts payable	1,968,132
Balance, June 30, 2015, Audited Financial Statement	$ 2,716,340

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND [4]				
Revenues	$ 51,184,897	$ 44,920,191	$ 39,051,786	$ 34,809,669
Other sources and transfers in	89,632	1,054,374	1,052,901	1,049,556
Total Revenues and Other Sources	51,274,529	45,974,565	40,104,687	35,859,225
Expenditures	50,102,761	44,458,816	40,512,233	35,348,830
Other uses and transfers out	589,733	595,412	587,357	587,358
Total Expenditures and Other Uses	50,692,494	45,054,228	41,099,590	35,936,188
INCREASE (DECREASE) IN FUND BALANCE	$ 582,035	$ 920,337	$ (994,903)	$ (76,963)
ENDING FUND BALANCE	$ 4,176,133	$ 3,594,098	$ 2,673,761	$ 3,668,664
AVAILABLE RESERVES [2]	$ 2,608,913	$ 2,003,126	$ 1,783,869	$ 2,812,849
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	5.15%	4.53%	4.43%	7.99%
LONG-TERM OBLIGATIONS	N/A	$ 56,059,894	$ 40,476,637	$ 38,802,140
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,781	4,780	4,658	4,537

The General Fund balance has decreased by $74,566 over the past two years. The fiscal year 2015-2016 budget projects an increase of $582,035 (16.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $17,257,754 over the past two years.

Average daily attendance has increased by 243 over the past two years. Additional growth of 1 ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $827,901, $790,148, and $735,141, has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

[4] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Special Reserve Fund for Postemployment Benefits, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Cafeteria Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 10,017	$ 761,106	$ 1,196,830	$ 1,483,276	$ 3,451,229
Receivables	631,308	-	-	-	631,308
Due from other funds	91,591	1,956,515	-	-	2,048,106
Stores inventories	13,962	-	-	-	13,962
Total Assets	$ 746,878	$ 2,717,621	$ 1,196,830	$ 1,483,276	$ 6,144,605
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 173,927	$ 1,281	$ 8,199	$ -	$ 183,407
Due to other funds	545,321	-	-	-	545,321
Total Liabilities	719,248	1,281	8,199	-	728,728
Fund Balances:					
Nonspendable	13,962	-	-	-	13,962
Restricted	13,668	2,716,340	1,188,631	1,483,276	5,401,915
Total Fund Balances	27,630	2,716,340	1,188,631	1,483,276	5,415,877
Total Liabilities and Fund Balances	$ 746,878	$ 2,717,621	$ 1,196,830	$ 1,483,276	$ 6,144,605

See accompanying note to supplementary information.

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Cafeteria Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units
REVENUES			
Federal sources	$ 2,952,899	$ -	$ -
Other State sources	171,838	-	-
Other local sources	176,560	2,581	318,859
Total Revenues	3,301,297	2,581	318,859
EXPENDITURES			
Current			
Pupil services:			
Food services	3,274,381	-	-
Administration:			
All other administration	80,319	-	-
Plant services	-	32,168	-
Facility acquisition and construction	-	118,067	222,323
Debt service			
Principal	6,346	-	238,032
Interest and other	1,417	-	100,187
Total Expenditures	3,362,463	150,235	560,542
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,166)	(147,654)	(241,683)
Other Financing Sources			
Other sources - premium on issuance of general obligation bonds	-	-	-
Extraordinary Item			
Settlement of liability	-	1,968,132	-
NET CHANGE IN FUND BALANCES	(61,166)	1,820,478	(241,683)
Fund Balances - Beginning	88,796	895,862	1,430,314
Fund Balances - Ending	$ 27,630	$ 2,716,340	$ 1,188,631

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 2,952,899
7,067	178,905
1,294,684	1,792,684
1,301,751	4,924,488
-	3,274,381
-	80,319
-	32,168
-	340,390
680,000	924,378
858,181	959,785
1,538,181	5,611,421
(236,430)	(686,933)
430,136	430,136
-	1,968,132
193,706	1,711,335
1,289,570	3,704,542
$ 1,483,276	$ 5,415,877

RIO ELEMENTARY SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 2,580	5.7	$ 2,128	5.5	$ 2,073	6.0
State and local revenue included in Local Control Funding Formula	35,698	79.5	29,969	76.7	23,897	68.6
Other State revenue	3,347	7.5	3,883	9.9	5,761	16.6
Other local revenue	3,295	7.3	3,072	7.9	3,078	8.8
Total Revenues	44,920	100.0	39,052	100.0	34,809	100.0
EXPENDITURES						
Salaries and benefits						
Certificated salaries	18,895	42.1	16,846	43.2	15,190	43.6
Classified salaries	5,365	11.9	4,508	11.5	3,991	11.5
Employee benefits	10,257	22.8	9,506	24.3	9,022	25.9
Total Salaries and Benefits	34,517	76.8	30,860	79.0	28,203	81.0
Books and supplies	2,678	6.0	2,393	6.1	1,068	3.0
Contracts and operating expenses	5,534	12.4	5,258	13.5	4,666	13.4
Capital outlay	66	0.1	147	0.4	33	0.1
Other outgo	1,479	3.3	1,639	4.2	1,356	3.9
Debt service	185	0.4	216	0.6	23	0.1
Total Expenditures	44,459	99.0	40,513	103.8	35,349	101.5
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	461	1.0	(1,461)	(3.8)	(540)	(1.5)
OTHER FINANCING SOURCES (USES)						
Incoming transfers	1,054	2.3	1,053	2.7	1,050	3.0
Outgoing transfers	(595)	(1.3)	(589)	(1.5)	(587)	(1.7)
Total Other Sources (Uses)	459	1.0	464	1.2	463	1.3
INCREASE (DECREASE) IN FUND BALANCE	920	2.0	(997)	(2.6)	(77)	(0.2)
FUND BALANCE, BEGINNING	2,674		3,671		3,748	
FUND BALANCE, ENDING	$ 3,594		$ 2,674		$ 3,671	
ENDING FUND BALANCE TO TOTAL REVENUES		8.0		6.8		10.5

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option Funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 5,532,759
Medi-Cal Billing Option	93.778	7,250
Total Schedule of Expenditures of Federal Awards		$ 5,540,009

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

Governing Board
Rio Elementary School District
Oxnard, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Elementary School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Rio Elementary School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 18 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rio Elementary 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 Rio Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rio Elementary School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rio Elementary School District in a separate letter dated December 7, 2015.

Purpose of This Report

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 7, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Rio Elementary School District
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited Rio Elementary School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rio Elementary School District's major Federal programs for the year ended June 30, 2015. Rio Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rio Elementary School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Rio Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Rio Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of Rio Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rio Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rio Elementary School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Rio Elementary School District
Oxnard, California

Report on State Compliance

We have audited Rio Elementary School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Rio Elementary School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Rio Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Rio Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion~~s~~. Our audit does not provide a legal determination of Rio Elementary School District's compliance with those requirements.

Basis for Qualified Opinion for the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Rio Elementary School District did not comply with requirements regarding the After School Education and Safety Program as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Compliance with such requirements is necessary, in our opinion, for Rio Elementary School District to comply with the requirements applicable to that program.

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Qualified Opinion on After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Rio Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Rio Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

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

We did not perform testing for Independent Study because it was below the materiality threshold required for testing.

The District does not offer Continuation Education; therefore, we did not perform procedures related to the Continuation Education.

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

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

The District does not have Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer Regional Occupational Centers or Programs; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer Adult Education; therefore, we did not perform any procedures related to the Adult Education Maintenance of Effort.

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

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 7, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A and 84.173	Special Education (IDEA) Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Unmodified for all programs except for the following State program which was qualified:

Name of State Program
After School Education and Safety

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

RIO ELEMENTARY SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2015-001 40000

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(1), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

Condition

The District has an implemented policy to allow students to sign out early from the program, for reasons other than sports or religious instruction, for a maximum of two days per week, as long as the students do not leave earlier than 4:30 PM. During the review of the November 2014 attendance/participation records (sign in/out sheets) and early release forms for Rio Lindo Elementary School and Rio Real Elementary School, we noted numerous students were consistently leaving earlier than the stated time identified on the District's policy (4:30 PM). Additionally, these students were being reported by the District as being serviced on the first semi-annual report for the 2014-2015 fiscal year. In total, we observed 94 counts (Rio Lindo Elementary 38 and Rio Real Elementary 56) of student participation being overstated by the District.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition identified was determined through a review of the attendance records from two of seven sites that operated the District's After School Education and Safety program. The auditor selected two schools for the first semi-annual reporting period dated August to December 2014. Early release forms were also reviewed for each student's sign-out time in order to determine daily participation and also to ensure compliance with the District's early release policy. The auditor reviewed early release forms for the month of November 2014 and counted all the students that left earlier than 4:30 PM with reasons other than sports or religious instruction.

Effect

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(1). There are no verifiable records to support students leaving the program early as established by the District's early release policy. Based on testing, it appears the District overstated the number of student served by 94.

Cause

It appears that the condition identified has materialized as a result of the site's unfamiliarity and inconsistent application of the District's early release policy.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education to ensure the total number of students served in the manual rosters reconcile to the total number of students reported on the attendance report excluding students that leave earlier than the established time based on the early release policy.

Corrective Action Plan

The District provided training to the program personnel during regular meetings and in attendance trainings on the information and attendance system. The Rio School District has communicated the importance of following established attendance procedures. Additionally, the importance of following attendance procedures was also communicated to parents in various ways, including the after school program registration form and in parent orientations.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2014-001 30000

Criteria or Specific Requirements

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, it is recommended that the District maintain a Reserve for Economic Uncertainties to safeguard the District's financial stability. The minimum recommended reserve for a District of this size is a minimum of three percent of budgeted general fund expenditures and other financing uses. The District's policy is to maintain the reserve at three percent. If a fund balance drops below three percent, it shall be recovered at a rate of one percent (1%) minimally, each year.

Condition

The Schedule of Financial Trends on page 61 indicates that the District's available reserves in the General Fund for the year ended June 30, 2014, has decreased by approximately $1 million. In addition, as indicated on page 44, the District has incurred a cumulative liability relating to litigation of approximately $11 million. The District intends to appeal the court ruling. However, if the appeal is unsuccessful, the General fund balance would not be sufficient to pay the resulting liability.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition was identified as a result of the evaluation of outstanding legal matters and their impact on the District's financial position and also through an analysis of current fiscal conditions impacting the District.

Effect

The effect of the condition may potentially lead the District to financial hardship which can result in fiscal insolvency.

Cause

It appears that the condition materialized due to recent economic declines which resulted in a decrease in State funding and unanticipated litigation losses of $11.0 million dollars.

Recommendation

We recommend that the District closely monitor its budget in the next year fiscal year and beyond to insure that fiscal solvency is maintained. This should include efforts to reduce expenditures and maximize revenues to the greatest extent possible.

Current Status

Implemented.

State Award Findings

2014-002 40000

After School Education and Safety Program – Attendance and Reporting

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(1), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

Condition

There appear to be instances in which students' departure times were not recorded on attendance sign out forms. The District's policy states that student sign outs require a signature and a departure time. However, during review of Rio Plaza Elementary School's sign out sheets, it was noted that there were 20 instances in which the student's departure time was not documented. Without sign out times, school sites cannot make a determination about a student's minimum weekly participation in after school programs. In addition, there were no signatures included on the sign out sheets for five students and there was one instance in which attendance was not summed correctly on the site's attendance roster. The aforementioned discrepancies amounted to a total of 26 students who were not properly signed out.

Questioned Costs

There are no questioned costs.

Context

The condition identified was determined through review of attendance records from two of the eight sites that operate an after school program. Attendance forms were reviewed for each child's sign out time in order to determine daily participation. The auditor selected two schools for the first semi-annual reporting period dated August to December 2013. The auditor reviewed attendance sheets for the month of October 2013, and noted exceptions in which Rio Plaza Elementary School did not have the appropriate written documentation to verify students were present for the whole program day. Sign-in sheets were to be signed by a student's parent or marked by the teacher leading that activity. The sign-in sheets were not consistently signed off on by a student's parent or other responsible parties and there were instances in which the student's departure time was not noted.

Effect

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(1). There is not sufficient documentation to support whether or not students participated in the full day of the program. In addition, the attendance forms are not consistently being signed off on by parents or other responsible parties, per the districts after school program policy.

Cause

It appears that the condition identified has materialized as a result of the site not having adequate documentation to show that students were present for the whole program day. Additionally, it appears that review procedures are not stringent enough to identify the incomplete submission of attendance forms.

Recommendation

The District should strive to improve implemented procedures requiring site personnel to document on the attendance form the time that students are released from the after school program. In addition, sites should ensure that students are being signed out on the attendance form. Stricter review procedures should be implemented in order to identify attendance forms that have not been completed. The District should communicate to the sites the importance of following the established procedures to ensure compliance with program requirements.

Current Status

Not implemented. See current year finding 2015-001.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Governing Board
Rio Elementary School District
Oxnard, California

In planning and performing our audit of the basic financial statements of Rio Elementary School District (the District) for the year ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2015, on the basic financial statements of Rio Elementary School District.

INTERNAL CONTROLS

Due To and Due From Year-End Accrual and Subsequent Clearing

<u>Observations</u>

The following observations were made:

1) The District appears to be clearing prior years' due to and due from other fund balances using the incorrect object code in the county's Escape system. We noted the District has been clearing prior year due to and due from other fund balances using the set up object code account (9311 and 9611) instead of the actual established clearing object code account (9310 and 9610). Additionally, it appears that the District has been using the clearing object code account to set up current year's accruals related to due to and due from other funds.
2) Due to the observations made in #1 above, it appears that the District's inter-fund payable/receivable balances have not been properly reported. Moreover, there are numerous balances reported in the current year that are attributed to accruals established in the previous years that have not been properly cleared. It appears that all balances reported by the District are valid accruals and need to be cleared.

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Recommendations

1) In order to avoid a compounding problem, the District must organize its balances posted in Object 9311 and 9611 in the current year. Without properly clearing these balances, the District would inadvertently place itself in a situation where stated ending balances are either overstated or understated.
2) We highly recommend the District to contact the local county office of education and receive assistance in the form of training to properly utilize correct object code to set up and clear inter-fund accruals. Our observation indicates that the District's personnel responsible for setting up accruals at year-end lack an understanding of the function of these specific account codes in order to properly set up and clear these transactions.

Segregation of Duty

Observation

Based on our review of the District's disbursements procedures, we noted that the Account Clerk II, the individual responsible for paying vendors after receiving the invoices and matching them with the purchase orders, also has access and ability to create vendors. This access increases the risk of having fictitious vendors in the system and, therefore, potentially allowing the account clerk to make payments to those vendors.

Recommendation

It is highly recommended that the Account Clerk II, who processes payments to vendors, should not be granted access and ability to create vendors. If implemented by the District, access control to the system decreases the risk of having fictitious vendors being created and the risk of making payments to them. Access and the ability to create vendors should only be given to an employee that is completely independent of accounts payable function and has no access to the accounts payable module.

ASSOCIATED STUDENT BODY (ASB)

Rio De Valley Middle School

Cash Receipts

Observation

Based on our review of sample cash receipts and the corresponding cash deposits, we noted that cash receipts were not always deposited in a timely manner. We noted delay in deposits ranging from 7 to 11 days.

Recommendation

Timeliness of deposits, plays a key factor in safekeeping of cash. At a minimum, the ASB should be making weekly deposits and the frequency of deposits should be increased based on the volume of cash being collected by the ASB. This will minimize the risk associated with theft, loss, or misappropriation associated with cash collections being held by the ASB.

Cash Disbursements

Observations

The following observations were made in connection with the ASB's disbursement activities:

1) Of 21 sample disbursements reviewed, one did not have supporting documentation present. The disbursement amounted to $2,320.80.
2) Of 21 sample disbursements reviewed, four did not have indication that the items ordered have been received.
3) Of 21 sample disbursements reviewed, twelve did not have pre-approval before commitment with the vendor was made.

Recommendations

1) Prior to disbursements being processed, the ASB should ensure that supporting invoices or receipts are available to substantiate payments being made.
2) Supporting documentation that indicates that all items ordered were received should be evident. This could be accomplished using a packing slip or through a signature of the person who received the goods. This would mitigate the risk of items being paid for without actually receiving them.
3) All disbursement transactions must be approved by the student body before the transaction occurs. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Revenue Potential

Observation

Two revenue potential forms reviewed were not properly completed. The form did not include the actual amounts collected from the fundraising activity. In addition, one of the forms did not include explanation of the difference between budget and actual.

Recommendation

ASB clubs conducting fundraisers are required to first make a request to participate in an event that is approved by the ASB and advisors. Approval usually occurs within the ASB minutes of meetings held. Pre-approval would serve as a review of the event for allowability and also to determine whether there is a similar event that is being held on the same date. In addition, at the conclusion of a fundraiser, the ASB should ensure that all activities are reported on the revenue potential form, including an explanation of any differences to assist in determining the success of the fundraiser.

Ticket Sales

Observation

A ticket roll was not available for our review and observation. There was no ticket control log to document beginning and ending ticket numbers for ticketed events.

Governing Board
Rio Elementary School District

Recommendation

All events that require tickets should be documented using ticket rolls that are available to the ASB. In conjunction, master ticket logs should be utilized to document each of the event's ticket activities and to reconcile the physical ticket sequences. Upon the completion of any ticketed events, sales reconciliation should be performed to determine if actual cash collected is consistent with the number of tickets sold.

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 7, 2015