



**RIO ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

EDUCATING LEARNERS FOR THE 21ST CENTURY

JUNE 30, 2017

RIO ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 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.

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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 70 and 71, schedule of other postemployment benefits funding progress on page 72, schedule of the district's proportionate share of net pension liability on page 73, and the schedule of district contributions on page 74, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying unaudited other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rio Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Elementary School District's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 12, 2017



Board of Trustees
Joe Esquivel, President
Eleanor Torres
Edith Martinez Cortes
Ramon Rodriguez
Felix Eisenhauer

John D. Puglisi, Ph.D., Superintendent

This section of Rio Elementary School District's (the District) 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for 2015-2016. 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 *Governmental 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.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$77.5 million for the fiscal year ended June 30, 2017. Of this amount, \$(36.2) million was unrestricted (deficit). 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	
	2017	2016
Assets		
Current and other assets	\$ 59,670,083	\$ 65,901,104
Capital assets	129,422,270	125,773,697
Total Assets	189,092,353	191,674,801
Deferred Outflows of Resources	16,256,524	11,451,069
Liabilities		
Current liabilities	4,694,785	4,031,214
Long-term obligations	75,860,087	77,120,076
Aggregate net pension liability	46,118,129	33,442,054
Total Liabilities	126,673,001	114,593,344
Deferred Inflows of Resources	1,191,420	6,564,724
Net Position		
Net investment in capital assets	107,377,094	106,133,462
Restricted	6,320,618	8,382,031
Unrestricted (Deficit)	(36,213,256)	(32,547,691)
Total Net Position	\$ 77,484,456	\$ 81,967,802

The \$(36.2) million in unrestricted (deficit) net position of governmental activities represents 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 \$(36.2) million deficit.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 233,177	\$ 205,307
Operating grants and contributions	12,125,052	11,228,270
General revenues:		
Federal and State aid not restricted	38,518,404	36,698,961
Property taxes	18,483,260	17,115,354
Other general revenues	1,127,359	17,819,383
Total Revenues	70,487,252	83,067,275
Expenses		
Instruction-related	51,414,307	45,010,889
Pupil services	7,860,327	7,201,574
Administration	4,446,286	4,229,524
Plant services	5,845,142	5,053,018
Other	5,404,536	4,896,398
Total Expenses	74,970,598	66,391,403
Special item: sale of land	-	323,376
Change in Net Position	\$ (4,483,346)	\$ 16,999,248

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$75.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18.5 million (levied for general purposes and for debt service) because the cost was paid by those who benefited from the programs was \$0.2 million, and by other governments and organizations who subsidized certain programs with grants and contributions was \$12.1 million. We paid for the remaining "public benefit" portion of our governmental activities with \$38.5 million in unrestricted Federal and State funds, and \$1.1 million in interest and investment earnings and other revenues.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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	
	2017	2016	2017	2016
Instruction-related activities	\$ 51,414,307	\$ 45,010,889	\$ 45,888,089	\$ 40,106,166
Pupil services	7,860,327	7,201,574	3,696,999	3,303,019
Administration	4,446,286	4,229,524	4,251,156	4,009,939
Plant services	5,845,142	5,053,018	5,817,547	4,819,017
Other	5,404,536	4,896,398	2,958,578	2,719,685
Total	\$ 74,970,598	\$ 66,391,403	\$ 62,612,369	\$ 54,957,826

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$56.1 million, which is a decrease of \$6.0 million over last year.

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 7,291,019	\$ 58,576,681	\$ 60,367,609	\$ 5,500,091
Cafeteria Fund	847	3,971,223	3,956,345	15,725
Building Fund	29,851,435	233,525	2,648,655	27,436,305
Capital Projects Fund for Blended Component Units	19,141,556	1,907,453	4,504,002	16,545,007
Capital Facilities Fund	(615,776)	1,761,204	417,946	727,482
County Schools Facilities Fund	2,720,483	8,579	-	2,729,062
Bond Interest and Redemption Fund	3,718,666	2,564,811	3,177,534	3,105,943
Total	\$ 62,108,230	\$ 69,023,476	\$ 75,072,091	\$ 56,059,615

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 21, 2017. (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 69.)

1. The increase in other State revenue is primarily attributable to recognizing CalSTRS on behalf payment of \$2,012,990 in actual State revenues, but was not included in the budgeted amounts. In addition, other funds are consolidated into the General Fund for reporting purposes. However, these funds revenues were not included in the General Fund budgets.
2. The District used employees, classified instructional aides, bus drivers, custodians, and clerical staff working additional hours in order to achieve district goals. This caused variances in the classified salary areas,. The majority of the variance in reporting employee benefits is attributable to recognizing CalSTRS on-behalf payment of \$2,012,990 in actual revenues and expenditures, but not in the budgeted amounts. In addition, other funds are consolidated into the General Fund for reporting purposes. However, these funds revenues were not included in the General Fund budgets. Overall actual year-end expenditures were more 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, 2017, the District had \$129.4 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$3.6 million, or 2.9 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land	\$ 11,107,629	\$ 11,107,629
Construction in progress	8,224,361	3,453,151
Buildings and improvements	108,319,354	109,045,642
Equipment	1,770,926	2,167,275
Total	\$129,422,270	\$125,773,697

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Long-Term Obligations

At the end of this year, the District had \$75.9 million in long-term obligations outstanding versus \$77.1 million last year, a decrease of 1.6 percent. The long-term obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 48,465,000	\$ 49,910,000
Premium on issuance	3,522,674	3,761,439
Certificates of participation	11,755,000	12,235,000
Premium (discount) on issuance - net	459,992	495,859
Lease purchase agreement	1,815,065	2,215,096
Capital lease obligations	8,757	15,832
Compensated absences	455,441	385,290
Supplemental retirement payments	52,000	50,000
Legal settlement	36,578	54,867
Supplemental early retirement - PARS	742,184	927,730
Other postemployment benefits (OPEB)	8,547,396	7,068,963
Total	\$ 75,860,087	\$ 77,120,076

The District's general obligation bond rating for the last bond sale in April 2016 was "AA". 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 \$49.9 million 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 \$46.1 million, 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.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 2017-2018 year, the governing board and management used the following criteria:

1. Changes in the LCFF for 2017-2018 include an increase for the District mostly offset by a reduction in one-time mandated cost funding from the State.
2. As part of the District's Local Control Accountability Plan, the District continues class size reduction for first and second grade and kindergarten students, and a full day program for kindergarten students.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grade kindergarten	24:1	680
Grades first through second	24:1	1,130
Grade three	30:1	560
Grades four through eight	30:1	2,789

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, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 56,864,101
Receivables	2,765,047
Prepaid expenses	3,684
Stores inventories	37,251
Capital Assets	
Land and construction in process	19,331,990
Other capital assets	147,991,090
Less: accumulated depreciation	(37,900,810)
Total Capital Assets	<u>129,422,270</u>
Total Assets	<u>189,092,353</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	475,553
Deferred outflows of resources related to pensions	15,780,971
Total Deferred Outflows of Resources	<u>16,256,524</u>
LIABILITIES	
Accounts payable	3,576,337
Accrued interest payable	1,084,317
Unearned revenue	34,131
Long-Term Obligations	
Current portion of long-term obligations other than pensions	2,461,332
Noncurrent portion of long-term obligations other than pensions	73,398,755
Total Long-Term Obligations	<u>75,860,087</u>
Aggregate net pension liability	46,118,129
Total Liabilities	<u>126,673,001</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>1,191,420</u>
NET POSITION	
Net investment in capital assets	107,377,094
Restricted for:	
Debt service	2,021,626
Capital projects	3,456,544
Educational programs	842,448
Unrestricted deficit	(36,213,256)
Total Net Position	<u>\$ 77,484,456</u>

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

RIO ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 44,639,212	\$ 2,328	\$ 5,340,940	\$ (39,295,944)
Instruction-related activities:				
Supervision of instruction	1,731,485	62	116,718	(1,614,705)
Instructional library, media, and technology	1,122,172	-	26,187	(1,095,985)
School site administration	3,921,438	30	39,953	(3,881,455)
Pupil services:				
Home-to-school transportation	1,005,427	-	35,102	(970,325)
Food services	4,083,408	223,431	3,302,364	(557,613)
All other pupil services	2,771,492	-	602,431	(2,169,061)
Administration:				
Data processing	641,974	-	-	(641,974)
All other administration	3,804,312	22	195,108	(3,609,182)
Plant services	5,845,142	98	27,497	(5,817,547)
Ancillary services	36,098	-	-	(36,098)
Community services	2,621	-	-	(2,621)
Enterprise services	14,504	10	2,852	(11,642)
Interest on long-term obligations	2,837,973	-	-	(2,837,973)
Other outgo	2,513,340	7,196	2,435,900	(70,244)
Total Governmental Activities	\$ 74,970,598	\$ 233,177	\$ 12,125,052	(62,612,369)
General Revenues and Subventions:				
				10,473,191
Property taxes, levied for general purposes				7,718,426
Property taxes, levied for debt service				291,643
Taxes levied for other specific purposes				38,518,404
Federal and State aid not restricted to specific purposes				104,477
Interest and investment earnings				1,022,882
Miscellaneous				
Subtotal, General Revenues				58,129,023
Change in Net Position				(4,483,346)
Net Position - Beginning				81,967,802
Net Position - Ending				\$ 77,484,456

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

RIO ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	\$ 5,598,548	\$ 342,474	\$ 27,754,159
Receivables	2,071,795	579,969	89,131
Due from other funds	1,240,014	253,796	-
Prepaid expenditures	3,684	-	-
Stores inventories	21,527	15,724	-
Total Assets	\$ 8,935,568	\$ 1,191,963	\$ 27,843,290
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,147,550	\$ 140,558	\$ 266,164
Due to other funds	253,796	1,035,680	140,821
Unearned revenue	34,131	-	-
Total Liabilities	3,435,477	1,176,238	406,985
Fund Balances:			
Nonspendable	30,211	15,725	-
Restricted	842,448	-	27,436,305
Assigned	2,801,601	-	-
Unassigned	1,825,831	-	-
Total Fund Balances	5,500,091	15,725	27,436,305
Total Liabilities and Fund Balances	\$ 8,935,568	\$ 1,191,963	\$ 27,843,290

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

Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
\$ 16,538,772	\$ 6,630,148	\$ 56,864,101
6,235	17,917	2,765,047
-	-	1,493,810
-	-	3,684
-	-	37,251
<u>\$ 16,545,007</u>	<u>\$ 6,648,065</u>	<u>\$ 61,163,893</u>

\$ -	\$ 22,065	\$ 3,576,337
-	63,513	1,493,810
-	-	34,131
<u>-</u>	<u>85,578</u>	<u>5,104,278</u>

-	-	45,936
16,545,007	6,562,487	51,386,247
-	-	2,801,601
-	-	1,825,831
<u>16,545,007</u>	<u>6,562,487</u>	<u>56,059,615</u>

<u>\$ 16,545,007</u>	<u>\$ 6,648,065</u>	<u>\$ 61,163,893</u>
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RIO ELEMENTARY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 56,059,615
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	\$ 167,323,080	
Accumulated depreciation is	<u>(37,900,810)</u>	
Net Capital Assets		129,422,270
The District refunded its general obligation bonds. The difference between the amounts that were sent to escrow agents for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents unamortized deferred charges on refunding remaining as of June 30, 2017.		
		475,553
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.		
		(1,084,317)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds.		
Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	3,899,141	
Net changed in proportionate share of net pension liability	6,820,363	
Difference between projected and actual earnings on pension plan investments	4,555,875	
Differences between expected and actual experience in the measurement of the total pension liability	<u>505,592</u>	
Total Deferred Outflows of Resources related to Pensions		15,780,971

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

RIO ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2017**

Deferred inflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds.

Deferred inflows of resources related to pensions at year end consist of:

Differences between expected and actual experience in the measurement of the total pension liability	\$ (838,242)	
Changes in assumptions	(353,178)	
Total Deferred Inflows of Resources related to Pensions		\$ (1,191,420)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (46,118,129)

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	(48,465,000)	
Unamortized premium	(3,484,059)	
Certificates of participation	(11,755,000)	
Unamortized premium	(572,796)	
Unamortized discount	74,189	
Lease purchase agreement	(1,815,065)	
Capital lease obligation	(8,757)	
Compensated absences	(455,441)	
Supplement retirement payments	(52,000)	
Supplemental retirement PARS	(742,184)	
Legal settlement	(36,578)	
Other postemployment benefits	(8,547,396)	
Total Long-Term Obligations		(75,860,087)
Total Net Position - Governmental Activities		\$ 77,484,456

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, 2017**

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	\$ 46,921,815	\$ -	\$ -
Federal sources	2,703,634	3,216,654	-
Other State sources	5,533,215	210,327	-
Other local sources	3,418,017	290,454	233,525
Total Revenues	<u>58,576,681</u>	<u>3,717,435</u>	<u>233,525</u>
EXPENDITURES			
Current			
Instruction	37,570,283	-	-
Instruction-related activities:			
Supervision of instruction	1,559,479	-	-
Instructional library, media and technology	1,056,286	-	-
School site administration	3,318,563	-	-
Pupil services:			
Home-to-school transportation	886,063	-	-
Food services	9,743	3,935,357	-
All other pupil services	2,429,591	-	-
Administration:			
Data processing	603,325	-	-
All other administration	3,405,533	-	-
Plant services	4,954,828	-	115,220
Facility acquisition and construction	702,471	-	2,533,435
Ancillary services	51,763	-	-
Community services	2,621	-	-
Other outgo	2,513,340	-	-
Enterprise services	-	13,213	-
Debt service			
Principal	610,942	7,075	-
Interest and other	265,670	700	-
Total Expenditures	<u>59,940,501</u>	<u>3,956,345</u>	<u>2,648,655</u>
Excess (Deficiency) of Revenues Over Other Financing Sources (Uses)	<u>(1,363,820)</u>	<u>(238,910)</u>	<u>(2,415,130)</u>
Transfers in	-	253,788	-
Transfers out	(427,108)	-	-
Net Financing Sources (Uses)	<u>(427,108)</u>	<u>253,788</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,790,928)	14,878	(2,415,130)
Fund Balances - Beginning	7,291,019	847	29,851,435
Fund Balances - Ending	<u>\$ 5,500,091</u>	<u>\$ 15,725</u>	<u>\$ 27,436,305</u>

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

Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 46,921,815
-	-	5,920,288
-	13,045	5,756,587
1,907,453	4,148,229	9,997,678
<u>1,907,453</u>	<u>4,161,274</u>	<u>68,596,368</u>
-	-	37,570,283
-	-	1,559,479
-	-	1,056,286
-	-	3,318,563
-	-	886,063
-	-	3,945,100
-	-	2,429,591
-	-	603,325
-	-	3,405,533
-	25,005	5,095,053
4,178,054	219,620	7,633,580
-	-	51,763
-	-	2,621
-	-	2,513,340
-	-	13,213
-	-	-
269,089	1,445,000	2,332,106
56,859	1,905,855	2,229,084
<u>4,504,002</u>	<u>3,595,480</u>	<u>74,644,983</u>
<u>(2,596,549)</u>	<u>565,794</u>	<u>(6,048,615)</u>
-	173,320	427,108
-	-	(427,108)
-	<u>173,320</u>	<u>-</u>
(2,596,549)	739,114	(6,048,615)
<u>19,141,556</u>	<u>5,823,373</u>	<u>62,108,230</u>
<u>\$ 16,545,007</u>	<u>\$ 6,562,487</u>	<u>\$ 56,059,615</u>

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, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ (6,048,615)**

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 capital outlay exceeds depreciation expense in the period:

Capital outlays	\$ 7,353,573	
Depreciation expense	(3,705,000)	
Net Expense Adjustment		3,648,573

In the Statement of Activities, certain operating expenses - compensated absences (vacations), supplemental early retirement incentive, 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 \$70,151. The supplemental early retirement incentive paid was more than the amount offered by \$185,546. Special termination benefits paid were less than the amounts earned by \$2,000.

113,395

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.

(2,459,772)

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, 2017

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	\$ 1,445,000	
Capital lease obligation	7,075	
Certificates of participation	480,000	
Lease purchase agreement	400,031	
Combined adjustment	\$ 2,332,106	\$ 2,332,106

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	277,380	
Amortization of debt discount	(2,748)	
Amortization of deferred charge on refunding	(37,544)	
Combined adjustment	237,088	237,088

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 \$845,977. (845,977)

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 OPEB costs. (1,478,433)

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 \$18,289. 18,289

Change in Net Position of Governmental Activities	\$ (4,483,346)
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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, 2017**

	CFD	ASB	
	Debt Service	Funds	Total
	Fund		
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Deposits and investments	\$ 8,223,974	\$ 62,224	\$ 8,286,198
Receivables	5,587	-	5,587
Stores inventories	-	16,584	16,584
Total Assets	<u>\$ 8,229,561</u>	<u>\$ 78,808</u>	<u>\$ 8,308,369</u>
LIABILITIES			
Accounts payable	-	\$ 5,186	\$ 5,186
Due to student groups	-	73,622	73,622
Due to bond holders	8,229,561	-	8,229,561
Total Liabilities	<u>\$ 8,229,561</u>	<u>\$ 78,808</u>	<u>\$ 8,308,369</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 Public Property Financing Corporation of California'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 Capital Projects Fund for Blended Component Units.

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 9 for additional information.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 in fund balance of \$2,801,602.

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).

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

Non-Major Governmental Funds

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).

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).

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 1A), 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.).

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).

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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, 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 the deferred charges on refunding debt and for pension related items.

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$6,320,618 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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Change in Accounting Principles

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*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 56,864,101
Fiduciary funds	8,286,198
Total Deposits and Investments	<u>\$ 65,150,299</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 70,568
Cash in revolving	5,000
Investments	65,074,731
Total Deposits and Investments	<u>\$ 65,150,299</u>

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Treasury 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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 Treasury 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.

Information about the sensitivity to fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by type and maturity:

Investment Type	Reported Amount	Average Maturity in Days
Ventura County Treasury Investment Pool	\$ 44,772,874	181
Fidelity Institutional Money Market Fund - Governmental Portfolio III	12,559	26
Invesco Private Capital - Treasury Portfolio	20,289,298	23
Total	\$ 65,074,731	

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, 2017, the District's bank deposits were not exposed to custodial credit risk because they were fully insured.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Fair Value Measurements Using	
		Level 2 Inputs	Uncategorized
Ventura County Treasury Investment Pool	\$ 44,772,874	\$ -	\$ 44,772,874
Fidelity Institutional Money Market Fund - Governmental Portfolio III	12,559	12,559	-
Invesco Private Capital - Treasury Portfolio	20,289,298	20,289,298	-
Total	<u>\$ 65,074,731</u>	<u>\$ 20,301,857</u>	<u>\$ 44,772,874</u>

All assets have been valued using a market approach, with quoted market prices.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Funds	Building Fund
Federal Government			
Categorical aid	\$ 1,216,458	\$ 502,721	\$ -
State Government			
Categorical aid	651,273	31,042	-
Lottery	182,095	-	-
Local Sources			
Interest	21,969	1,341	89,131
Other	-	44,865	-
Total	<u>\$ 2,071,795</u>	<u>\$ 579,969</u>	<u>\$ 89,131</u>

	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government				
Categorical aid	\$ -	\$ -	\$ 1,719,179	\$ -
State Government				
Categorical aid	-	-	682,315	-
Lottery	-	-	182,095	-
Local Sources				
Interest	6,235	17,917	136,593	5,587
Other	-	-	44,865	-
Total	<u>\$ 6,235</u>	<u>\$ 17,917</u>	<u>\$ 2,765,047</u>	<u>\$ 5,587</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 11,107,629	\$ -	\$ -	\$ 11,107,629
Construction in process	3,453,151	7,255,304	2,484,094	8,224,361
Total Capital Assets	<u>14,560,780</u>	<u>7,255,304</u>	<u>2,484,094</u>	<u>19,331,990</u>
Capital Assets Being Depreciated				
Land improvements	5,058,404	1,319,269	-	6,377,673
Buildings and improvements	134,090,253	1,164,825	-	135,255,078
Furniture and equipment	6,524,673	98,269	264,603	6,358,339
Total Capital Assets	<u>145,673,330</u>	<u>2,582,363</u>	<u>264,603</u>	<u>147,991,090</u>
Less Accumulated Depreciation				
Land improvements	2,635,125	315,726	-	2,950,851
Buildings and improvements	27,467,890	2,894,656	-	30,362,546
Furniture and equipment	4,357,398	494,618	264,603	4,587,413
Total Accumulated	<u>34,460,413</u>	<u>3,705,000</u>	<u>264,603</u>	<u>37,900,810</u>
Governmental Activities	<u>\$ 125,773,697</u>	<u>\$ 6,132,667</u>	<u>\$ 2,484,094</u>	<u>\$ 129,422,270</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,889,958
School site administration	222,304
Home-to-school transportation	74,102
All other pupil services	74,102
Data processing	36,976
All other general administration	185,254
Plant services	222,304
Total Depreciation Expenses Governmental Activities	<u>\$ 3,705,000</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - 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, 2017, between major and non-major governmental funds are as follows:

Due To	Due From				Total Governmental Funds
	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,035,680	\$ 140,821	\$ 63,513	\$ 1,240,014
Cafeteria Fund	253,796	-	-	-	253,796
Total	\$ 253,796	\$ 1,035,680	\$ 140,821	\$ 63,513	\$ 1,493,810

A balance of \$253,796 is due to the Cafeteria Fund from the General Fund for operating contribution.

A balance of \$1,035,680 is due to the General Fund from the Cafeteria Fund for temporary operating loans.

A balance of \$140,821 is due to the General Fund from the Building Fund for reimbursement of expenditures related to capital outlay projects.

A balance of \$63,513 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for reimbursement of expenditures related to capital outlay projects.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From General Funds
Cafeteria Fund	\$ 253,788
Non-Major Governmental Funds	173,320
Total	\$ 427,108
The General Fund transferred to the Cafeteria Fund to cover operating costs.	\$ 253,788
The General Fund transferred to the Capital Facilities Non-Major Governmental Fund for the required debt service payment related to the District's outstanding certificates of participation.	173,320
Total	\$ 427,108

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund
LCFF apportionment	\$ 550,136	\$ -	\$ -
Salaries and benefits	210,853	10,235	-
Materials and supplies	167,214	129,829	-
Services	130,535	-	2,030
Construction	-	-	264,134
Due to SELPA	1,409,345	-	-
Other vendors	679,467	494	-
Total	<u>\$ 3,147,550</u>	<u>\$ 140,558</u>	<u>\$ 266,164</u>

	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Activities
LCFF apportionment	\$ -	\$ 550,136	\$ -
Salaries and benefits	-	221,088	-
Materials and supplies	-	297,043	-
Services	-	132,565	-
Construction	22,065	286,199	-
Due to SELPA	-	1,409,345	-
Other vendors	-	679,961	5,186
Total	<u>\$ 22,065</u>	<u>\$ 3,576,337</u>	<u>\$ 5,186</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
2007 General Obligation Refunding Bonds	\$ 1,530,000	\$ -	\$ 745,000	\$ 785,000	\$ 785,000
Premium on issuance	55,861	-	32,518	23,343	-
2014 General Obligation Bonds, Series A	20,000,000	-	550,000	19,450,000	595,000
Premium on issuance	413,408	-	14,338	399,070	-
2014 General Obligation Bonds, Series B	18,500,000	-	-	18,500,000	-
Premium on issuance	1,241,214	-	41,839	1,199,375	-
2016 General Obligation Refunding Bonds	9,880,000	-	150,000	9,730,000	-
Premium on issuance	2,050,956	-	150,070	1,900,886	-
2015 Certificates of Participation	6,280,000	-	135,000	6,145,000	140,000
Discount on issuance	(76,937)	-	(2,748)	(74,189)	-
2016 Certificates of Participation	5,955,000	-	345,000	5,610,000	310,000
Premium on issuance	572,796	-	38,615	534,181	-
Lease purchase agreement	2,215,096	-	400,031	1,815,065	420,026
Capital leases	15,832	-	7,075	8,757	7,471
Compensated absences	385,290	70,151	-	455,441	-
Supplemental retirement payments	50,000	2,000	-	52,000	-
Supplemental retirement PARS	927,730	-	185,546	742,184	185,546
Legal settlement	54,867	-	18,289	36,578	18,289
Other postemployment benefits	7,068,963	1,922,724	444,291	8,547,396	-
Total	<u>\$ 77,120,076</u>	<u>\$ 1,994,875</u>	<u>\$ 3,254,864</u>	<u>\$ 75,860,087</u>	<u>\$ 2,461,332</u>

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 compensated absences were paid by the fund for which the employee worked. Other postemployment benefits are generally paid by the General Fund.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued	Redeemed	
5/2/2007	8/1/2029	3.57-5.00%	\$ 16,396,187	\$ 1,530,000	\$ -	\$ 745,000	\$ 785,000
6/4/2015	8/1/2044	2.00-5.00%	20,000,000	20,000,000	-	550,000	19,450,000
4/26/2016	8/1/2045	3.00-5.00%	18,500,000	18,500,000	-	-	18,500,000
4/26/2016	8/1/2029	2.00-5.00%	9,880,000	9,880,000	-	150,000	9,730,000
				<u>\$ 49,910,000</u>	<u>\$ -</u>	<u>\$ 1,445,000</u>	<u>\$ 48,465,000</u>

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, 2017, Refunding Bonds in the amount of \$785,000 were outstanding. The unamortized premium was \$23,343 at June 30, 2017.

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, 2017, the principal outstanding was \$19,450,000 and unamortized premium received on issuance was \$399,070.

2014 General Obligation Bonds, Series B

On April 26, 2016, the Rio Elementary School District issued the 2014 General Obligation Bonds, Series B, in the amount of \$18,500,000. The Series B represents the second series of the reauthorized bonds not to exceed \$38,500,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as current interest bonds with an aggregate principal debt service balance of \$18,500,000. The bonds were issued at an aggregate price of \$19,398,978 (representing the principal amount of \$18,500,000 plus an original issue premium of \$1,255,160 less cost of issuance of \$356,182). The bonds have a final maturity to occur on August 1, 2045 and interest rates of 3.00 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, 2017, the principal outstanding was \$18,500,000. Unamortized premium received on issuance was \$1,199,375.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2016 General Obligation Refunding Bonds

On April 26, 2016, the Rio Elementary School District issued the 2016 General Obligation Refunding Bonds in the amount of \$9,880,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$11,790,301 (representing the principal amount of \$9,880,000 and premium of \$2,100,979, less cost of issuance of \$190,678). The bonds have a final maturity which occurs on August 1, 2029 with interest rates of 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to provide partial advance refunding of the District's 2007 General Obligation Refunding Bonds in the amount of \$11,115,000. The refunding resulted in a cumulative cash flow saving of \$1,567,434 over the life of the new debt and an economic gain of \$1,292,038 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.76 percent. As of June 30, 2017, the principal balance outstanding was \$9,730,000, and unamortized premium on issuance and deferred amount on refunding were \$1,900,886 and \$249,623, respectively.

Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,380,000	\$ 2,627,900	\$ 4,007,900
2019	695,000	1,986,975	2,681,975
2020	730,000	1,951,350	2,681,350
2021	770,000	1,913,850	2,683,850
2022	855,000	1,918,900	2,773,900
2023-2027	5,705,000	9,450,200	15,155,200
2028-2032	6,165,000	9,245,928	15,410,928
2033-2037	7,050,000	9,838,991	16,888,991
2038-2042	11,715,000	10,574,650	22,289,650
2043-2046	13,400,000	6,686,000	20,086,000
Total	<u>\$ 48,465,000</u>	<u>\$ 56,194,744</u>	<u>\$ 104,659,744</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017, the principal outstanding was \$6,145,000 and unamortized discount on issuance was \$74,189.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 140,000	\$ 225,331	\$ 365,331
2019	145,000	221,281	366,281
2020	145,000	218,481	363,481
2021	150,000	215,581	365,581
2022	155,000	212,681	367,681
2023-2027	830,000	969,056	1,799,056
2028-2032	975,000	828,525	1,803,525
2033-2037	1,175,000	631,000	1,806,000
2038-2042	1,430,000	376,000	1,806,000
2043-2045	1,000,000	81,000	1,081,000
Total	<u>\$ 6,145,000</u>	<u>\$ 3,978,936</u>	<u>\$ 10,123,936</u>

2016 Refunding Certificates of Participation

On May 18, 2016, the Rio Elementary School District issued the 2016 Refunding Certificates of Participation in the amount of \$5,955,000. The refunding certificates were issued as current interest certificates. The certificates were issued at an aggregate price of \$6,224,168 (representing the principal amount of \$5,955,000 and premium of \$579,232, less cost of issuance of \$310,064). The certificates have a final maturity which occurs on March 1, 2032 with interest rates of 3.75 to 5.5 percent. Proceeds from the sale of the certificates were used to provide advance refunding of the District's 2007 Certificates of Participation in the amount of \$6,860,000. The refunding resulted in a cumulative cash flow saving of \$1,170,851 over the life of the new debt and an economic gain of \$387,296 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.38 percent. As of June 30, 2017, the principal balance outstanding was \$5,610,000, and unamortized premium on issuance deferred amount on refunding were \$534,181, and \$225,930, respectively.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 310,000	\$ 205,100	\$ 515,100
2019	300,000	198,900	498,900
2020	325,000	186,900	511,900
2021	330,000	180,400	510,400
2022	350,000	167,200	517,200
2023-2027	1,940,000	617,000	2,557,000
2028-2032	2,055,000	235,000	2,290,000
Total	<u>\$ 5,610,000</u>	<u>\$ 1,790,500</u>	<u>\$ 7,400,500</u>

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, 2017, is \$1,815,065.

The lease payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 420,026	\$ 187,541	\$ 607,567
2019	440,020	61,173	501,193
2020	465,012	37,889	502,901
2021	490,007	12,941	502,948
Total	<u>\$ 1,815,065</u>	<u>\$ 299,544</u>	<u>\$ 2,114,609</u>

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, 2016	\$ 16,821
Payments	<u>(7,763)</u>
Balance, June 30, 2017	<u>\$ 9,058</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 7,763
2019	1,295
Total	9,058
Less: Amount Representing Interest	(301)
Present Value of Minimum Lease Payments	<u>\$ 8,757</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$455,441.

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, 2017, there were a total of two employees eligible to receive the supplemental retirement payments. The current outstanding liability to the District is \$52,000.

Supplemental Early Retirement Incentive

During the 2015-2016 fiscal year, the District offered a supplemental early retirement program payable to eligible District Employees with payments beginning in the 2016-2017 fiscal year. A total of 16 certificated and classified employees accepted the District's offer. The District will make five annual contributions to Public Agency Retirement Services (PARS) accounts participants. The District's obligation to the PARS Early Retirement Incentive is as follows:

Fiscal Year	Total
2018	\$ 185,546
2019	185,546
2020	185,546
2021	185,546
Total	<u>\$ 742,184</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2016-2017 fiscal year, the District has renegotiated the terms of the settlement in accordance to the following schedule:

<u>Fiscal Year</u>	<u>Total</u>
2018	\$ 18,289
2019	18,289
Total	<u>\$ 36,578</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$2,048,812, and contributions made by the District during the year were \$444,291. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$282,759 and \$(408,847), respectively, which resulted in an increase to the net OPEB obligation of \$1,478,433. As of June 30, 2017, the net OPEB obligation was \$8,547,396. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - 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, Series, 2014, and Series 2016 have remaining balances as of June 30, 2017, of \$70,335,000.

RIO ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	21,527	15,725	-	-	-	37,252
Prepaid expenditures	3,684	-	-	-	-	3,684
Total Nonspendable	<u>30,211</u>	<u>15,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,936</u>
Restricted						
Legally restricted	842,448	-	-	-	-	842,448
Capital Projects	-	-	27,436,305	16,545,007	3,456,544	47,437,856
Debt services	-	-	-	-	3,105,943	3,105,943
Total Restricted	<u>842,448</u>	<u>-</u>	<u>27,436,305</u>	<u>16,545,007</u>	<u>6,562,487</u>	<u>51,386,247</u>
Assigned						
Postemployment benefits	2,797,699	-	-	-	-	2,797,699
Deferred maintenance	3,902	-	-	-	-	3,902
Total Assigned	<u>2,801,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,801,601</u>
Unassigned						
Reserve for economic uncertainties	1,750,639	-	-	-	-	1,750,639
Remaining unassigned	75,192	-	-	-	-	75,192
Total Unassigned	<u>1,825,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,831</u>
Total	<u>\$ 5,500,091</u>	<u>\$ 15,725</u>	<u>\$ 27,436,305</u>	<u>\$ 16,545,007</u>	<u>\$ 6,562,487</u>	<u>\$ 56,059,615</u>

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUALS)

At June 30, 2017, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 56,843,506</u>	<u>\$ 59,940,501</u>	<u>\$ 3,096,995</u>
Cafeteria Fund	<u>\$ 3,450,549</u>	<u>\$ 3,956,343</u>	<u>\$ 505,794</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - 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 27 retirees and beneficiaries currently receiving benefits; and 332 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 2016-2017, the District contributed \$444,291 to the Plan, all of which was used for current premiums (approximately 86.0 percent of total premiums). Plan members receiving benefits contributed \$72,326 or approximately 14.0 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	\$ 2,048,812
Interest on net OPEB obligation	282,759
Adjustment to annual required contribution	<u>(408,847)</u>
Annual OPEB cost	1,922,724
Contributions made	<u>(444,291)</u>
Increase in net OPEB obligation	1,478,433
Net OPEB obligation, beginning of year	<u>7,068,963</u>
Net OPEB obligation, end of year	<u>\$ 8,547,396</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2015	\$ 1,756,627	\$ 538,189	31%	\$ 5,520,506
2016	1,950,381	401,924	21%	7,068,963
2017	1,922,724	444,291	23%	8,547,396

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 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, 2015	\$ -	\$ 25,666,725	\$ 25,666,725	0%	\$ 30,646,282	84%

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, 2015, 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, 2017, was 20 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 13 - 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 16 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 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 34,362,794	\$ 11,391,959	\$ 838,242	\$ 4,425,849
CalPERS	11,755,335	4,389,012	353,178	1,933,064
Total	<u>\$ 46,118,129</u>	<u>\$ 15,780,971</u>	<u>\$ 1,191,420</u>	<u>\$ 6,358,913</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, 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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$2,684,010.

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

At June 30, 2017, 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	\$ 34,362,794
State's proportionate share of the net pension liability associated with the District	19,562,126
Total	<u>\$ 53,924,920</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0425 percent and 0.0381 percent, resulting in a net increase in the proportionate share of 0.0044 percent.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$4,425,849. In addition, the District recognized pension expense and revenue of \$2,012,990 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,684,010	\$ -
Net change in proportionate share of net pension liability	5,796,124	-
Difference between projected and actual earnings on pension plan investments	2,731,825	-
Difference between expected and actual experiences in the measurement of the total pension liability	-	838,242
Total	<u>\$ 11,211,959</u>	<u>\$ 838,242</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 59,599
2019	59,599
2020	1,588,020
2021	1,024,607
Total	<u>\$ 2,731,825</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 913,998
2019	913,998
2020	913,998
2021	913,998
2022	913,998
Thereafter	387,892
Total	<u>\$ 4,957,882</u>

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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:

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

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 49,455,811
Current discount rate (7.60%)	34,362,794
1% increase (8.60%)	21,827,412

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

CalPERS provide 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, 2017, 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	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2017, are presented above and the total District contributions were \$1,035,131.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$11,755,335. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0595 percent and 0.0528 percent, resulting in a net increase in the proportionate share of 0.0067 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,933,064. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,035,131	\$ -
Net change in proportionate share of net pension liability	1,024,239	-
Difference between projected and actual earnings on pension plan investments	1,824,050	-
Difference between expected and actual experiences in the measurement of the total pension liability	505,592	-
Changes of assumptions	-	353,178
Total	<u>\$ 4,389,012</u>	<u>\$ 353,178</u>

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 255,847
2019	255,848
2020	836,294
2021	476,061
Total	<u>\$ 1,824,050</u>

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 447,760
2019	435,573
2020	293,320
Total	<u>\$ 1,176,653</u>

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 17,539,025
Current discount rate (7.65%)	11,755,335
1% increase (8.65%)	6,939,274

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 \$2,012,990 (8.828 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*.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 15 - 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, 2017.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

NOTE 16 - 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 SISC 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, 2017, the District made payments of \$247,891, \$6,674,806, and \$3,580, to VCSSFA, SISC, and VCFAST, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive
				(Negative)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 45,939,784	\$ 46,808,775	\$ 46,921,815	\$ 113,040
Federal sources	2,339,984	2,359,681	2,703,634	343,953
Other State sources	3,233,249	3,534,309	5,533,215	1,998,906
Other local sources	3,120,061	3,430,177	3,418,017	(12,160)
Total Revenues ¹	<u>54,633,078</u>	<u>56,132,942</u>	<u>58,576,681</u>	<u>2,443,739</u>
EXPENDITURES				
Current				
Certificated salaries	22,408,661	23,245,201	23,484,759	(239,558)
Classified salaries	6,500,435	6,624,166	7,212,067	(587,901)
Employee benefits	12,486,692	12,253,562	14,560,576	(2,307,014)
Books and supplies	3,503,962	3,404,770	3,073,851	330,919
Services and operating expenditures	6,196,224	7,164,124	7,434,832	(270,708)
Capital outlay	70,640	795,431	784,464	10,967
Other outgo	2,236,844	2,516,385	2,513,340	3,045
Debt service - principal	243,012	588,012	610,942	(22,930)
Debt service - interest	268,268	251,855	265,670	(13,815)
Total Expenditures ¹	<u>53,914,738</u>	<u>56,843,506</u>	<u>59,940,501</u>	<u>(3,096,995)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>718,340</u>	<u>(710,564)</u>	<u>(1,363,820)</u>	<u>(653,256)</u>
Other Financing Sources (Uses)				
Transfers in	94,090	95,046	-	(95,046)
Transfers out	(511,656)	(248,321)	(427,108)	(178,787)
Net Financing Sources (Uses)	<u>(417,566)</u>	<u>(153,275)</u>	<u>(427,108)</u>	<u>(273,833)</u>
NET CHANGE IN FUND BALANCE	300,774	(863,839)	(1,790,928)	(927,089)
Fund Balance - Beginning	<u>7,291,019</u>	<u>7,291,019</u>	<u>7,291,019</u>	-
Fund Balance - Ending	<u>\$ 7,591,793</u>	<u>\$ 6,427,180</u>	<u>\$ 5,500,091</u>	<u>\$ (927,089)</u>

¹ On behalf payments of \$2,012,990 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

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Federal sources	\$ 3,180,000	\$ 3,180,000	\$ 3,216,654	\$ 36,654
Other State sources	180,000	180,000	210,327	30,327
Other local sources	209,100	235,500	290,454	54,954
Total Revenues	3,569,100	3,595,500	3,717,435	121,935
EXPENDITURES				
Current				
Classified salaries	1,093,524	1,113,282	1,194,645	(81,363)
Employee benefits	450,579	446,328	458,568	(12,240)
Books and supplies	1,676,095	1,829,397	2,349,015	(519,618)
Services and operating expenditures	72,583	52,037	(53,658)	105,695
Other outgo	112,000	-	-	-
Debt service - principal	7,800	7,800	7,075	725
Debt service - interest	1,705	1,705	700	1,005
Total Expenditures	3,414,286	3,450,549	3,956,345	(505,796)
Excess (Deficiency) of Revenues Over Expenditures	154,814	144,951	(238,910)	(383,861)
Other Financing Sources (Uses)				
Transfers in	-	75,000	253,788	178,788
Net Financing Sources (Uses)	-	75,000	253,788	178,788
NET CHANGE IN FUND BALANCES	154,814	219,951	14,878	(205,073)
Fund Balance - Beginning	847	847	847	-
Fund Balance - Ending	\$ 155,661	\$ 220,798	\$ 15,725	\$ (205,073)

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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, 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%
July 1, 2015	-	25,666,725	25,666,725	0%	30,646,282	84%

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0425%</u>	<u>0.0381%</u>	<u>0.0323%</u>
District's proportionate share of the net pension liability	<u>\$ 34,362,794</u>	<u>\$ 25,663,257</u>	<u>\$ 18,873,130</u>
State's proportionate share of the net pension liability associated with the District	<u>19,562,126</u>	<u>13,573,034</u>	<u>11,396,411</u>
Total	<u><u>\$ 53,924,920</u></u>	<u><u>\$ 39,236,291</u></u>	<u><u>\$ 30,269,541</u></u>
District's covered - employee payroll	<u>\$ 21,466,618</u>	<u>\$ 17,692,838</u>	<u>\$ 16,207,657</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>160.08%</u>	<u>145.05%</u>	<u>116.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.0595%</u>	<u>0.0528%</u>	<u>0.0493%</u>
District's proportionate share of the net pension liability	<u>\$ 11,755,335</u>	<u>\$ 7,778,797</u>	<u>\$ 5,599,658</u>
District's covered - employee payroll	<u>\$ 7,310,632</u>	<u>\$ 5,666,366</u>	<u>\$ 5,185,512</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>160.80%</u>	<u>137.28%</u>	<u>107.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,684,010	\$ 2,302,249	\$ 1,571,124
Contributions in relation to the contractually required contribution	<u>(2,684,010)</u>	<u>(2,302,249)</u>	<u>(1,571,124)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 21,335,533</u>	<u>\$ 21,466,618</u>	<u>\$ 17,692,838</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.72%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,035,131	\$ 865,950	\$ 666,988
Contributions in relation to the contractually required contribution	<u>(1,035,131)</u>	<u>(865,950)</u>	<u>(666,988)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 7,453,420</u>	<u>\$ 7,310,632</u>	<u>\$ 5,666,366</u>
Contributions as a percentage of covered - employee payroll	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

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

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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			
Title I, Part A - Low Income and Neglected Migrant Education Program	84.010	14329	\$ 927,879
Title I, Part C - Migrant Education Regular	84.011	14326	143,590
Title I, Part C - Migrant Education Summer	84.011	10005	115,643
Title I, Part C - Even Start Migrant Education	84.011	14768	13,931
Subtotal Migrant Education Program			<u>273,164</u>
Title II, Part A - Improving Teacher Quality	84.367	14341	125,418
Title III, Part A - Limited English Proficient Student Program	84.365	14346	168,139
Passed through Ventura County Office of Education SELPA			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	855,360
Preschool Grant, Part B	84.173	13430	26,400
Preschool Local Entitlement	84.027A	13682	91,754
Subtotal Special Education (IDEA) Cluster			<u>973,514</u>
Total U.S. Department of Education			<u>2,468,114</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	130,768
Medi-Cal Administrative Activities	93.778	10060	104,752
Total U.S. Department of Health and Human Services			<u>235,520</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,800,093
Especially Needy Breakfast Program	10.553	13526	683,404
Commodities	10.555	13396	175,080
Summer Food Service Program	10.559	13004	54,625
Subtotal Child Nutrition Cluster			<u>2,713,202</u>
Child and Adult Care Food Program	10.558	13393	503,452
Total U.S. Department of Agriculture			<u>3,216,654</u>
Total Federal Programs			<u>\$ 5,920,288</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Joe Esquivel	President	2020
Eleanor Torres	Clerk	2018
Felix Eisenhauer	Member	2020
Edith Martinez-Cortez	Member	2018
Ramon Rodriquez	Member	2018

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, 2017**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,248.96	2,243.88
Fourth through sixth	1,679.89	1,675.26
Seventh and eighth	1,016.78	1,014.41
Total Regular ADA	<u>4,945.63</u>	<u>4,933.55</u>
Extended Year Special Education		
Transitional kindergarten through third	8.23	8.23
Fourth through sixth	7.43	7.43
Seventh and eighth	1.39	1.39
Total Extended Year Special Education	<u>17.05</u>	<u>17.05</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.69	1.79
Ninth through twelfth	1.91	2.12
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.60</u>	<u>3.91</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.11	0.11
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.11</u>	<u>0.11</u>
Total ADA	<u><u>4,966.39</u></u>	<u><u>4,954.62</u></u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Grade Level</u>	1986-87	2016-17	<u>Number of Days</u>		<u>Status</u>
	<u>Minutes Requirement</u>	<u>Actual Minutes</u>	<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,064	180	N/A	Complied
Grade 2		53,064	180	N/A	Complied
Grade 3		53,064	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,864	180	N/A	Complied
Grade 5		54,864	180	N/A	Complied
Grade 6		54,864	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,467	180	N/A	Complied
Grade 8		61,467	180	N/A	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, 2017**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

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

	(Budget)			
	2018 ¹	2017	2016	2015
GENERAL FUND ⁴				
Revenues	\$ 56,298,645	\$ 58,458,384	\$ 54,792,678	\$ 44,920,191
Other sources and transfers in	95,046	95,046	-	1,054,374
Total Revenues and Other Sources	<u>56,393,691</u>	<u>58,553,430</u>	<u>54,792,678</u>	<u>45,974,565</u>
Expenditures	55,970,741	59,940,500	53,282,375	44,460,817
Other uses and transfers out	248,321	427,108	589,733	595,412
Total Expenditures and Other Uses	<u>56,219,062</u>	<u>60,367,608</u>	<u>53,872,108</u>	<u>45,056,229</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 174,629</u>	<u>\$ (1,814,178)</u>	<u>\$ 920,570</u>	<u>\$ 918,336</u>
ENDING FUND BALANCE	<u>\$ 2,873,118</u>	<u>\$ 2,698,489</u>	<u>\$ 4,512,667</u>	<u>\$ 3,592,097</u>
AVAILABLE RESERVES ²	<u>\$ 2,003,499</u>	<u>\$ 1,825,831</u>	<u>\$ 1,979,447</u>	<u>\$ 2,003,126</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>3.56%</u>	<u>3.13%</u>	<u>3.75%</u>	<u>4.53%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 75,860,087</u>	<u>\$77,120,076</u>	<u>\$ 56,059,894</u>
ATTENDANCE AT P-2	<u>4,991</u>	<u>4,966</u>	<u>4,868</u>	<u>4,780</u>

The General Fund balance has decreased by \$893,608 over the past two years. The fiscal year 2017-2018 budget projects an increase of \$174,629 (6.5 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have increased by \$19,800,193 over the past two years.

Average daily attendance has increased by 186 over the past two years. Additional growth of 25 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 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 \$2,012,990, \$1,154,941, and \$827,901 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

⁴ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Post-Employment 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, 2017**

	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 807,255	\$ 2,725,413	\$ 3,097,480	\$ 6,630,148
Receivables	4,524	4,930	8,463	17,917
Total Assets	<u>\$ 811,779</u>	<u>\$ 2,730,343</u>	<u>\$ 3,105,943</u>	<u>\$ 6,648,065</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,784	\$ 1,281	\$ -	\$ 22,065
Due to other funds	63,513	-	-	63,513
Total Liabilities	<u>84,297</u>	<u>1,281</u>	<u>-</u>	<u>85,578</u>
Fund Balances:				
Restricted	<u>727,482</u>	<u>2,729,062</u>	<u>3,105,943</u>	<u>6,562,487</u>
Total Liabilities and Fund Balances	<u>\$ 811,779</u>	<u>\$ 2,730,343</u>	<u>\$ 3,105,943</u>	<u>\$ 6,648,065</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES				
Other State sources	\$ -	\$ -	\$ 13,045	\$ 13,045
Other local sources	1,587,884	8,579	2,551,766	4,148,229
Total Revenues	<u>1,587,884</u>	<u>8,579</u>	<u>2,564,811</u>	<u>4,161,274</u>
EXPENDITURES				
Current				
Plant services	25,005	-	-	25,005
Facility acquisition and construction	219,620	-	-	219,620
Debt service				
Principal	-	-	1,445,000	1,445,000
Interest and other	173,321	-	1,732,534	1,905,855
Total Expenditures	<u>417,946</u>	<u>-</u>	<u>3,177,534</u>	<u>3,595,480</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,169,938</u>	<u>8,579</u>	<u>(612,723)</u>	<u>565,794</u>
Other Financing Sources				
Transfers in	173,320	-	-	173,320
NET CHANGE IN FUND BALANCE	1,343,258	8,579	(612,723)	739,114
Fund Balances - Beginning	(615,776)	2,720,483	3,718,666	5,823,373
Fund Balances - Ending	<u>\$ 727,482</u>	<u>\$ 2,729,062</u>	<u>\$ 3,105,943</u>	<u>\$ 6,562,487</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
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, 2017, 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 12, 2017.

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.

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 12, 2017.

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.



Rancho Cucamonga, California
December 12, 2017



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

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

Governing Board
Rio Elementary School District
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited Rio Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rio Elementary School District's (the District) major Federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Rancho Cucamonga, California
December 12, 2017



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 compliance with the types of compliance requirements as identified in the *2016-2017 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, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2016-2017 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 opinions. Our audit does not provide a legal determination of Rio Elementary School District's compliance with those requirements.

Basis for Qualified Opinion on After School Education and Safety Program and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs as item 2017-001 and 2017-002, Rio Elementary School District did not comply with requirements regarding the After School Education and Safety Program and Unduplicated Local Control Funding Formula Pupil Counts, respectively. Compliance with such requirements is necessary, in our opinion, for Rio Elementary School District to comply with the requirements applicable to that program.

Qualified Opinion on After School Education and Safety Program and Unduplicated Local Control Funding Formula Pupil Counts

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, 2017.

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, 2017, 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:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below

CHARTER SCHOOLS

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

We did not perform testing for Independent Study because the ADA for the program was below the materiality threshold at which testing is required.

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

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

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

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

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 offer a Course-Based Independent Study Program; therefore, we did not perform any procedures related to Course-Based Independent Study Programs.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

Vavrinch, Travis, Dns & Co., LLP

Rancho Cucamonga, California
December 12, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIO ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555 & 10.559</u>	<u>Child Nutrition Cluster</u>

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

STATE AWARDS

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

<u>Name of State Program</u>
<u>After School Education and Safety</u>
<u>Unduplicated Local Control Funding</u>
<u>Formula Pupil Count</u>

RIO ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported

RIO ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

RIO ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

2017-001 Code 40000

After School Education and Safety Program

Criteria or Specific Requirements

According to Education Code Section 8483(a)(1), elementary school pupils are to participate in the full day of the After School Education and Safety 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 October 2016 attendance/participation records (sign in/out sheets) and early release forms for Rio Rosales Elementary School and Rio del Valle Middle School, we noted that numerous students were consistently leaving earlier than the stated time identified on the District's policy (4:30PM). Additionally, these students were being reported by the District as being serviced on the first semi-annual report for the 2016-2017 fiscal year. In total, we observed 482 counts (Rio Rosales Elementary School, 449, and Rio del Valle Middle School, 33) 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 2016. 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 October 2016, and counted all the students who left earlier than 4:30 pm with reasons other than sports or religious instruction.

RIO ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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 482.

Cause

It appears that the condition identified has materialized as a result of the site's 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 hired program coordinators as Rio School District employees beginning in the 2016-17 school year. District employees have received training during regular meetings and training 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 communicated to parents in various ways, including the after school program registration form and in parent orientations.

RIO ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2017-002 Code 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

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

Condition

The District did not update the status designations for 8 students who had designations of “Free” or “Reduced” on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Through review of supporting documentation, each of these 8 students should have been reported with a status designation of “Paid,” but it appears that the District did not update the 1.18 report to reflect the correct status.

Questioned Costs

The District has over claimed the total eligible pupils by 8, resulting in a decrease of approximately \$8,867 in Local Control Funding Formula (LCFF) revenues for the current fiscal year.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1). The initial sample was selected from three school sites, which resulted in exceptions noted for each of the sites. For 40 students selected, 2 did not have a current year eligibility application or other alternative household income data and 1 had an incomplete application that was missing income information. The auditor requested that the District review all of its FRPM Only students and determine total number of exceptions. The District's review of all remaining students resulted in total of 8 students identified that were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

RIO ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 FRPM/English Learner/Foster Youth – Student List” CALPADS report to align the reporting with the most current free and reduced eligibility information from the District’s Food Service Department. The following schedule identify the exceptions:

	Total Enrollment	Total Certified Unduplicated Count	Adjustment for FRPM	Total Adjusted Unduplicated Count
TOTAL District-Wide	5,142	4,228	(8)	4,220

Cause

It appears that the condition identified has materialized as a result of the District’s failure to update the 1.18 CALPADS report to reflect the correct status designations of reported students.

Recommendation

The District should adhere to applicable regulations for all school sites. This includes the collection of alternative meal applications for all students every year and updating the 1.18 CALPADS report to correctly reflect the changes to status designations for eligible students.

Corrective Action Plan

The District will adhere to applicable regulations for all school sites. The District will collect alternative meal applications for all students every year. Additionally, the District will update the 1.18 report to reflect the correct status designation of eligible students.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

2016-001 30000

Criteria or Specific Requirements

Under the modified basis of accounting used for governmental funds, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. In addition, the application of the completeness assertion in financial statements generally requires management to record all assets and liabilities that should have been included as ending balances on the financial statements.

Condition

The Community Facilities District No. 1 and the Public Property Financing Corporation of California issued special tax bonds and certificates of participation, respectively, during the current fiscal year. Proceeds from the issuance of special tax bonds and certificates of participation were routed to third party trustees under the debt agreements and these amounts held by the trustees are considered assets to the District. The issuance of both of these debts coincided with the District's annual closing process. Consequently, the District was unable to obtain all the trustee statements in a timely manner to report the full amount of assets held by trustees prior to the county's year-end closing deadline. As a result, the District's financial statements excluded a net amount of \$17,263,554 in restricted funds held with trustees that should have been recorded as of June 30, 2016. These funds held with trustees were legally restricted for either debt service or capital projects.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition was identified through the course of the financial audit conducted on the District's financial statements. More specifically, our review of various year-end trustee account statements linked to the District's component units (Community Facilities District No. 1 and Public Property Financing Corporation of California) indicated that some of the newly established accounts were not reported by the District.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Effect

The effect of these unrecorded items on the ending fund balance of the District's Capital Facilities Fund resulted in the fund balance being lower by \$1,292,578 than what was reported by the District's Unaudited Actuals as of June 30, 2016. This unrecorded activity also resulted in a deficit fund balance reported for the Capital Facilities Fund. In addition, the ending fund balance increased by \$18,556,132 in the Capital Project Fund for Blended Component Unit in comparison to the amount reported by the District on its Unaudited Actuals as of June 30, 2016.

Cause

The cause appears to be associated with the timing of when the year-end trustee statements were made available to the District. The District was unable to obtain all the statements, especially statements for newly created accounts in connection with newly issued non-obligatory debt and refunding certificates of participation. As a result, amounts reported in these missing statements were unintentionally excluded from year-end reporting.

Recommendation

In light of the condition identified, the District should exercise care during its annual year-end closing process. The District should implement the following to prevent similar future occurrences:

- 1) Identify all trustee accounts linked to the District's community facilities district and financing corporation.
- 2) The District should ensure that all trustee statements are obtained in a timely manner to allow the District review the activities posted by the trustees.
- 3) Trustee activities reported on statements should be posted to the District's Capital Facilities Fund (Fund 25) and Capital Project Fund for Blended Component Units (Fund 49) on a monthly basis.
- 4) At year-end, annualized statement should be used to determine if the District's financial statements reflect accurate ending balances reflected on trustee statements.

Current Status

Implemented.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

State Award Findings

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

2016-002 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 reason 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 December 2015 attendance/participation records (sign in/out sheets) and early release forms for Rio del Norte and Rio del Mar Elementary Schools, we noted that numerous students were consistently leaving earlier than the stated time identified on the District's policy (4:30PM). Additionally, these students were being reported by the District as being serviced on the first semi-annual report for the 2015-2016 fiscal year. In total, we observed 561 counts (Rio del Norte Elementary 408 and Rio del Mar Elementary 153) 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 2015. 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 2015, and counted all the students that left earlier than 4:30pm with reasons other than sports or religious instruction.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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 561.

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.

Current Status

Not implemented. See current year finding 2017-001.



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, 2017, 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 12, 2017, on the basic financial statements of Rio Elementary School District.

INTERNAL CONTROLS

Cash Collections

Observation

Amounts collected at several sites were not transmitted to the District Office for deposit in a timely manner. The delays in deposit ranged from 11 to 91 days and were in amounts ranging from \$10 to \$240.

Recommendation

The sites should transmit collections to the District Office once a week to minimize the amount of cash held. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at a site.

Observation

The Administrative Secretary to the Assistant Superintendent of Business Services writes receipts for amounts received in the Business Department. Written receipts would normally be used to establish the date that an item arrived in the Department in order to determine timeliness of payment and deposit. However, the Secretary dates the receipt the same as the check's date.

Recommendation

Receipts should be written daily and should record the date that items arrive in the Business Department. Receipts should also note the amount of the payment and a brief description.

Non-Payroll Disbursements

Observation

Three of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items and or services were purchased prior to receiving an approval.

Recommendation

All disbursements should be approved prior to the transaction taking place. Disbursement procedures require multiple levels of approval depending on the nature of the disbursement. One of those approvals is by the Business Department. The Business Department is responsible for reviewing account coding and making sure that expenditures are limited to established budgets. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and availability of funds.

Observation

Two of 40 credit card disbursements selected for testing did not have back up receipts. The lack of detailed receipts could lead to inappropriate expenditures.

Recommendation

The District should take the necessary steps to ensure that all credit card related expenditures are supported by detailed receipts. This would allow the reviewing administrator to determine if the credit card activities are appropriate for the funding source.

Observation

For three of the disbursements selected for testing, no supporting documentation or copy of check could be located. This could potentially lead to expenditures of questionable nature if disbursements do not have supporting documentation.

Recommendation

The District should take the necessary steps to ensure that all expenditures have supporting documentation and kept in a secure place. This would allow the reviewing administrator to determine if the proposed disbursements are appropriate for the funding source.

ASSOCIATED STUDENT BODY (ASB)

Rio del Valle Middle School

Bank Reconciliations

Observation

In our review of the ASB's December 2016 bank reconciliation, we noted:

- Outstanding deposits in the amount of \$2,582, dated June 2015, that have been carried on the monthly reconciliations.
- Unidentified reconciling items totaling approximately \$1,000.

Recommendation

The ASB's bank reconciliations should be prepared by one employee and reviewed by a second employee on a monthly basis soon after the end of each month. During the review process, the reviewer should pay close attention to outstanding items, specifically deposits in transit and any unidentified reconciling items. The outstanding deposits and reconciling items noted above should be cleared from the ASB's accounts since it is unlikely that they will be resolved. Outstanding checks that are over six months old should also be removed from the accounts and reissued if still needed.

Cash Receipts- Ticket Sales

Observation

The ASB does not reconcile cash collected for dances. We noted that the ASB is currently not using receipts, tickets, or equivalent documents to support the amount of cash collected. As a result, we were unable to determine if the amount collected from dances sponsored by the ASB was complete and accurate.

Recommendation

All cash collections must be accompanied by receipts or other supporting documents. To remedy the observation made, we recommend that the ASB consider using pre-numbered ticket rolls prior to the event along with ticket sales reconciliations at the conclusion of the fundraising event.

Observation

A master ticket log to document the ending numbers of the physical ticket rolls was not maintained by the ASB.

Recommendation

A master ticket log should be maintained. The ticket log should note the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.

Cash Receipts- Fundraisings

Observation

Cash collections from fundraisings were not supported by proper receipting documentation. Triplicate receipts, logs, or comparable supporting documentation have not been maintained.

Recommendation

The ASB should establish a procedure to issue receipts whenever it receives money or checks for events or sales. Pre-numbered triplicate receipts, logs or tally sheets should be utilized when collecting money for ASB events and transactions. The receipts, logs or tally sheets should then be submitted to the ASB bookkeeper along with the cash deposits form.

Cash Disbursements

Observation

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

- Out of six sample disbursements reviewed, three did not have documentation that the items ordered had been received.
- Out of six sample disbursements reviewed, five did not have approval before commitment with the vendor was made.
- Out of six sample disbursements reviewed, one did not have an authorization form.

Recommendation

Supporting documentation that indicates that all items ordered were received should be present before the disbursement is made. 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 being received as ordered.

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. The ASB/club is not obligated to pay for the expenditure if preapproval was not obtained.

Revenue Potential/Fund Raiser Analysis

Observation

One of two revenue potential forms reviewed was not properly completed. The form did not include explanation of the difference between budgeted and actual revenue. In addition, one of the fundraisings held by the ASB did not have an approved fundraising request form and an accompanying revenue potential form.

Recommendation

All fundraising events should be approved by the ASB Student Council and the site administrator prior to the event taking place to ensure that the activities related to the fundraisers are appropriate in a school setting. In addition, the ASB should require that a revenue potential form be completed for each fundraising event. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, actual revenue, and inventory purchased for sale. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, such as lost or stolen merchandise or problems with collecting all moneys due.

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



Rancho Cucamonga, California
December 12, 2017