



EDUCATING LEARNERS FOR THE 21ST CENTURY

**RIO ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# RIO ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2018

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***FINANCIAL SECTION***

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

VALUE THE *difference*

## 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter - Change in Accounting Principles*

As discussed in Note 1 and Note 17 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on pages 70 and 71, schedule of changes in the District's total OPEB liability and related ratios on page 72, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 73, schedule of the District's proportionate share of the net pension liability on page 74, and the schedule of District contributions on page 75, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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 14, 2018



## Board of Trustees

Felix Eisenhower, President  
Eleanor Torres, Clerk  
Joe Esquivel  
Edith Martinez Cortes  
Rosa Balderrama

**John D. Puglisi, Ph.D., Superintendent**

This section of Rio Elementary School District's (the District) 2017-2018 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for 2016-2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District 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, 2018

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### 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, 2018

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### 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, 2018

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### THE DISTRICT AS A WHOLE

#### *Net Position*

The District's net position was \$64,806,588 for the fiscal year ended June 30, 2018. Of this amount, \$(50,040,986) 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	
	2018	2017, as Restated
<b>Assets</b>		
Current and other assets	\$ 40,226,700	\$ 59,670,083
Loan receivable	7,000,000	-
Capital assets	143,507,943	129,422,270
<b>Total Assets</b>	<b>190,734,643</b>	<b>189,092,353</b>
<b>Deferred Outflows of Resources</b>	<b>22,306,031</b>	<b>16,256,524</b>
<b>Liabilities</b>		
Current liabilities	8,287,546	4,694,785
Long-term obligations	83,397,365	75,860,087
Aggregate net pension liability	54,516,642	63,082,031
<b>Total Liabilities</b>	<b>146,201,553</b>	<b>143,636,903</b>
<b>Deferred Inflows of Resources</b>	<b>2,032,533</b>	<b>1,191,420</b>
<b>Net Position</b>		
Net investment in capital assets	108,462,865	107,377,094
Restricted	6,384,709	6,320,618
Unrestricted (Deficit)	(50,040,986)	(53,177,158)
<b>Total Net Position</b>	<b>\$ 64,806,588</b>	<b>\$ 60,520,554</b>

The \$(50,040,986) 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 \$(50,040,986) deficit.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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	
	2018	2017
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 232,814	\$ 233,177
Operating grants and contributions	10,933,806	12,125,052
Capital grants and contributions	22,882	-
General revenues:		
Federal and State aid not restricted	37,717,377	38,518,404
Property taxes	19,337,683	18,483,260
Other general revenues	240,792	1,127,359
<b>Total Revenues</b>	<b>68,485,354</b>	<b>70,487,252</b>
<b>Expenses</b>		
Instruction-related	50,623,009	51,414,307
Pupil services	7,928,404	7,860,327
Administration	4,011,356	4,446,286
Plant services	5,859,341	5,845,142
Other	4,848,978	5,404,536
<b>Total Expenses</b>	<b>73,271,088</b>	<b>74,970,598</b>
Special item: net gain on sale of land and buildings	9,071,768	-
<b>Change in Net Position</b>	<b>\$ 4,286,034</b>	<b>\$ (4,483,346)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$73,271,088. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$19,337,683 (levied for general purposes and for debt service) because the cost was paid by those who benefited from the programs was \$232,814, and by other governments and organizations who subsidized certain programs with grants and contributions was \$10,956,688. We paid for the remaining "public benefit" portion of our governmental activities with \$37,717,377 in unrestricted Federal and State funds, and \$240,792 in interest and investment earnings and other revenues.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction-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	
	2018	2017	2018	2017
Instruction-related activities	\$ 50,623,009	\$ 51,414,307	\$ 43,861,851	\$ 45,888,089
Pupil services	7,928,404	7,860,327	4,207,348	3,696,999
Administration	4,011,356	4,446,286	3,925,331	4,251,156
Plant services	5,859,341	5,845,142	5,840,916	5,817,547
Other	4,848,978	5,404,536	4,246,140	2,958,578
<b>Total</b>	<b>\$ 73,271,088</b>	<b>\$ 74,970,598</b>	<b>\$ 62,081,586</b>	<b>\$ 62,612,369</b>

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$32,840,600, which is a decrease of \$23,219,015 over last year.

**Table 4**

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 5,500,091	\$ 60,195,064	\$ 60,170,666	\$ 5,524,489
Cafeteria Fund	15,725	3,855,719	3,868,440	3,004
Building Fund	27,436,305	15,378,199	38,920,243	3,894,261
Capital Projects Fund for Blended Component Units	16,545,007	1,001,987	311,397	17,235,597
Capital Facilities Fund	727,482	462,073	246,712	942,843
County Schools Facilities Fund	2,729,062	36,585	-	2,765,647
Bond Interest and Redemption Fund	3,105,943	2,781,716	3,412,900	2,474,759
<b>Total</b>	<b>\$ 56,059,615</b>	<b>\$ 83,711,343</b>	<b>\$ 106,930,358</b>	<b>\$ 32,840,600</b>

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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 27, 2018. 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 70.

1. The increase in other State revenue is primarily attributable to recognizing CalSTRS on behalf payment of \$2,233,904 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 settled with bargaining units for 2.5% salary increase after the 2<sup>nd</sup> Interim Budget was finalized. This caused variances in the certificated and classified salary areas. The majority of the variance in reporting employee benefits is attributable to recognizing CalSTRS on-behalf payment of \$2,233,904 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, 2018, the District had \$143,507,943 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 \$14,085,673, or 10.9 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2018	2017
Land	\$ 11,079,879	\$ 11,107,629
Construction in progress	30,558,628	8,224,361
Buildings and improvements	100,430,619	108,319,354
Equipment	1,438,817	1,770,926
<b>Total</b>	<b>\$ 143,507,943</b>	<b>\$ 129,422,270</b>

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### Long-Term Obligations

At the end of this year, the District had \$83,397,365 in long-term obligations outstanding versus \$92,823,989 last year, a decrease of 10.2 percent. The long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	2018	2017, as Restated
General obligation bonds	\$ 47,085,000	\$ 48,465,000
Premium on issuance	3,293,084	3,522,674
Certificates of participation	5,300,000	11,755,000
Premium on issuance	495,566	459,992
Lease purchase agreement	-	1,815,065
Capital lease obligations	1,286	8,757
Compensated absences	361,156	455,441
Supplemental retirement payments	54,000	52,000
Legal settlement	24,386	36,578
Supplemental early retirement - PARS	556,638	742,184
Other postemployment benefits (OPEB)	26,226,249	25,511,298
<b>Total</b>	<b>\$ 83,397,365</b>	<b>\$ 92,823,989</b>

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 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$47,085,000 is below the statutorily-imposed limit.

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

### Net Pension Liability (NPL)

At year-end, the District had an outstanding pension liability of \$54,516,642, 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, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

<b>Assumption</b>	<b>2018/19</b>
<b>Revenues:</b>	
Average Daily Attendance (ADA)	5053
Funded ADA *	5053
Cost of Living Adjustments	2.71%
LCFF Calculator	FCMAT
LCFF Gap Funding Percentage	100.00%
	\$
One Time Contribution to General Fund	-
Restricted Lottery Revenues	\$53/ADA
Unrestricted Lottery	\$153/ADA
Carryovers from Prior Year	Included
<b>Expenditures:</b>	
Step and Column Adjustments	Actual Cost
Salary Increases/Settlements	None
Certificated Staffing Changes	Budgeted
Administrator Staffing Changes	Budgeted
Classified Staffing Due Changes	Budgeted
STRS	16.28%
PERS	18.06%
Cost of Health Increase	Actual Cost
Carry-overs from Prior Year	Included
Utilities	Budgeted

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	629
Grades first through second	24:1	1092
Grade three	30:1	605
Grades four through eight	31:1	2893



# **RIO ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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### **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 [wsaleh@rioschools.org](mailto:wsaleh@rioschools.org)

# RIO ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 37,475,091
Receivables	2,643,282
Prepaid expenses	75,120
Stores inventories	33,207
Loan receivable	7,000,000
Capital Assets	
Land and construction in process	41,638,507
Other capital assets	141,480,942
Less: accumulated depreciation	(39,611,506)
Total Capital Assets	<u>143,507,943</u>
<b>Total Assets</b>	<u><u>190,734,643</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	438,009
Deferred outflows of resources related to pensions	21,443,630
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	424,392
<b>Total Deferred Outflows of Resources</b>	<u><u>22,306,031</u></u>
<b>LIABILITIES</b>	
Accounts payable	7,386,100
Accrued interest payable	901,446
Long-Term Obligations	
Current portion of long-term obligations other than pensions	1,206,218
Noncurrent portion of long-term obligations other than pensions	82,191,147
Total Long-Term Obligations	<u>83,397,365</u>
Aggregate net pension liability	<u>54,516,642</u>
<b>Total Liabilities</b>	<u><u>146,201,553</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>2,032,533</u>
<b>NET POSITION</b>	
Net investment in capital assets	108,462,865
Restricted for:	
Debt service	1,573,313
Capital projects	3,645,090
Educational programs	1,166,306
Unrestricted deficit	(50,040,986)
<b>Total Net Position</b>	<u><u>\$ 64,806,588</u></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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 43,314,536	\$ 4,184	\$ 6,349,264	\$ 22,882	\$ (36,938,206)
Instruction-related activities:					
Supervision of instruction	1,651,018	14	164,874	-	(1,486,130)
Instructional library, media, and technology	1,609,168	-	166,339	-	(1,442,829)
School site administration	4,048,287	7	53,594	-	(3,994,686)
Pupil services:					
Home-to-school transportation	1,127,243	-	16,119	-	(1,111,124)
Food services	3,984,369	225,419	3,094,580	-	(664,370)
All other pupil services	2,816,792	-	384,938	-	(2,431,854)
Administration:					
Data processing	777,246	-	-	-	(777,246)
All other administration	3,234,110	6	86,019	-	(3,148,085)
Plant services	5,859,341	77	18,348	-	(5,840,916)
Ancillary services	35,517	1	156	-	(35,360)
Community services	118	-	-	-	(118)
Enterprise services	12,335	2	477	-	(11,856)
Interest on long-term obligations	2,209,096	-	-	-	(2,209,096)
Other outgo	2,591,912	3,104	599,098	-	(1,989,710)
<b>Total Governmental Activities</b>	<b>\$ 73,271,088</b>	<b>\$ 232,814</b>	<b>\$ 10,933,806</b>	<b>\$ 22,882</b>	<b>(62,081,586)</b>
General Revenues and Subventions:					
					11,076,498
					7,831,966
					429,219
					37,717,377
					240,792
					<u>57,295,852</u>
					9,071,768
					<u>4,286,034</u>
					60,520,554
					<u>\$ 64,806,588</u>

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 7,332,943	\$ 221,851	\$ 6,512,024
Receivables	1,975,509	579,426	39,200
Due from other funds	1,030,000	288,757	-
Prepaid expenditures	11,720	-	63,400
Stores inventories	19,159	14,048	-
<b>Total Assets</b>	<b>\$ 10,369,331</b>	<b>\$ 1,104,082</b>	<b>\$ 6,614,624</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,556,085	\$ 71,078	\$ 2,720,363
Due to other funds	288,757	1,030,000	-
<b>Total Liabilities</b>	<b>4,844,842</b>	<b>1,101,078</b>	<b>2,720,363</b>
<b>Fund Balances:</b>			
Nonspendable	35,879	14,048	63,400
Restricted	1,166,306	-	3,830,861
Assigned	2,196,850	-	-
Unassigned	2,125,454	(11,044)	-
<b>Total Fund Balances</b>	<b>5,524,489</b>	<b>3,004</b>	<b>3,894,261</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,369,331</b>	<b>\$ 1,104,082</b>	<b>\$ 6,614,624</b>

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

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<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 17,219,760	\$ 6,188,513	\$ 37,475,091
15,837	33,310	2,643,282
-	-	1,318,757
-	-	75,120
-	-	33,207
<u>\$ 17,235,597</u>	<u>\$ 6,221,823</u>	<u>\$ 41,545,457</u>

\$ -	\$ 38,574	\$ 7,386,100
-	-	1,318,757
-	38,574	8,704,857

-	-	113,327
17,235,597	6,183,249	28,416,013
-	-	2,196,850
-	-	2,114,410
<u>17,235,597</u>	<u>6,183,249</u>	<u>32,840,600</u>

<u>\$ 17,235,597</u>	<u>\$ 6,221,823</u>	<u>\$ 41,545,457</u>
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**RIO ELEMENTARY SCHOOL DISTRICT**

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

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 32,840,600</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
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	\$ 183,119,449
Accumulated depreciation is	<u>(39,611,506)</u>
Net Capital Assets	143,507,943
The District has refunded general obligation bonds and certificates of participation. 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, 2018.	
	438,009
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.	
	(901,446)
Loan receivables related to the purchaser of land, land improvement and buildings are not received in the near term (within a year) and therefore, are not reported as receivables in the governmental funds. This amount totaled \$7,000,000 as of June 30, 2018.	
	7,000,000
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	4,566,075
Net change in proportionate share of net pension liability	6,189,485
Difference between projected and actual earnings on pension plan investments	485,897
Differences between expected and actual experience in the measurement of the total pension liability	652,876
Changes of assumptions	<u>9,549,297</u>
Total Deferred Outflows of Resources Related to Pensions	21,443,630

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, 2018**

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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:		
Net change in proportionate share of net pension liability	\$ (83,443)	
Difference between projected and actual earnings on pension plan investments	(1,077,843)	
Differences between expected and actual experience in the measurement of the total pension liability	(705,872)	
Changes of assumptions	<u>(165,375)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (2,032,533)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		
		424,392
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(54,516,642)
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	(47,085,000)	
Unamortized premium	(3,293,084)	
Certificates of participation	(5,300,000)	
Unamortized premium	(495,566)	
Capital lease obligation	(1,286)	
Compensated absences	(361,156)	
Supplement retirement payments	(54,000)	
Supplemental retirement PARS	(556,638)	
Legal settlement	(24,386)	
Net other postemployment benefits (OPEB) liability	<u>(26,226,249)</u>	
Total Long-Term Obligations		<u>(83,397,365)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 64,806,588</u></u></b>

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, 2018**

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 48,213,297	\$ -	\$ -
Federal sources	2,429,625	3,005,065	-
Other State sources	5,728,278	253,933	-
Other local sources	3,823,864	310,888	261,949
<b>Total Revenues</b>	<u>60,195,064</u>	<u>3,569,886</u>	<u>261,949</u>
<b>EXPENDITURES</b>			
Current			
Instruction	37,750,672	-	-
Instruction-related activities:			
Supervision of instruction	1,532,511	-	-
Instructional library, media and technology	1,536,110	-	-
School site administration	3,536,292	-	-
Pupil services:			
Home-to-school transportation	1,133,869	-	-
Food services	14,639	3,848,931	-
All other pupil services	2,564,243	-	-
Administration:			
Data processing	718,236	-	-
All other administration	3,026,303	-	-
Plant services	4,729,641	-	23,660
Ancillary services	34,367	-	-
Community services	118	-	-
Other outgo	2,591,912	-	7,000,000
Enterprise services	-	11,746	-
Facility acquisition and construction	90,187	-	23,737,004
Debt service			
Principal	310,000	7,471	7,960,065
Interest and other	315,733	292	199,514
<b>Total Expenditures</b>	<u>59,884,833</u>	<u>3,868,440</u>	<u>38,920,243</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>310,231</u>	<u>(298,554)</u>	<u>(38,658,294)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	285,833	-
Transfers out	(285,833)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(285,833)</u>	<u>285,833</u>	<u>-</u>
<b>Special Item</b>			
Gross proceeds from sale of land and building	-	-	15,116,250
<b>NET CHANGE IN FUND BALANCES</b>	<u>24,398</u>	<u>(12,721)</u>	<u>(23,542,044)</u>
<b>Fund Balances - Beginning</b>	<u>5,500,091</u>	<u>15,725</u>	<u>27,436,305</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,524,489</u>	<u>\$ 3,004</u>	<u>\$ 3,894,261</u>

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



<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 48,213,297
-	-	5,434,690
-	13,941	5,996,152
1,001,987	3,266,433	8,665,121
<u>1,001,987</u>	<u>3,280,374</u>	<u>68,309,260</u>
-	-	37,750,672
-	-	-
-	-	1,532,511
-	-	1,536,110
-	-	3,536,292
-	-	-
-	-	1,133,869
-	-	3,863,570
-	-	2,564,243
-	-	-
-	-	718,236
-	13,830	3,040,133
279,643	135,456	5,168,400
-	-	34,367
-	-	118
-	-	9,591,912
-	-	11,746
31,754	97,426	23,956,371
-	-	-
-	1,380,000	9,657,536
-	2,032,900	2,548,439
<u>311,397</u>	<u>3,659,612</u>	<u>106,644,525</u>
<u>690,590</u>	<u>(379,238)</u>	<u>(38,335,265)</u>
-	-	285,833
-	-	(285,833)
-	-	-
-	-	-
-	-	15,116,250
<u>690,590</u>	<u>(379,238)</u>	<u>(23,219,015)</u>
<u>16,545,007</u>	<u>6,562,487</u>	<u>56,059,615</u>
<u>\$ 17,235,597</u>	<u>\$ 6,183,249</u>	<u>\$ 32,840,600</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, 2018**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (23,219,015)**

**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	\$ 23,833,574	
Depreciation expense	(3,703,419)	
Net Expense Adjustment		20,130,155

Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (6,044,482)

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 used was more than amounts earned by \$94,285. The supplemental early retirement incentive paid was more than the amount offered by \$185,346. Special termination benefits earned were more than the amounts paid by \$2,000. 277,831

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. (3,576,967)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (290,559)

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, 2018**

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	\$ 1,380,000	
Capital lease obligation	7,471	
Certificates of participation	6,455,000	
Lease purchase agreement	1,815,065	
Combined adjustment	<u>                    </u>	\$ 9,657,536

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	268,205	
Amortization of debt discount	(74,189)	
Amortization of deferred charge on refunding	(37,544)	
Combined adjustment	<u>                    </u>	156,472

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 \$182,871.

182,871

The District sold two pieces of properties and as part of the sales transaction, provided a loan to a purchaser. The amount provided as a loan to the purchaser is an expenditure in the governmental funds, but it becomes a note receivable in the Statement of Net Position due to the multi-year repayment agreement between the District and the purchaser. In the current year, a total of \$7,000,000 was provided to the purchaser as a loan.

7,000,000

The District reached a settlement agreement during the 2005-2006 fiscal year. Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide financial statements, however, which are presented on the accrual basis, expenses and liabilities are reported when incurred, regardless of when financial resources are available. The amount of settlement paid in the current was more than the amount incurred by \$12,192.

12,192

**Change in Net Position of Governmental Activities**

\$ 4,286,034

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, 2018**

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	<b>CFD</b>		
	<b>Debt Service</b>	<b>ASB</b>	
	<b>Fund</b>	<b>Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 8,203,140	\$ 64,207	\$ 8,267,347
Receivables	9,754	-	9,754
Stores inventories	-	22,876	22,876
<b>Total Assets</b>	<u><u>\$ 8,212,894</u></u>	<u><u>\$ 87,083</u></u>	<u><u>\$ 8,299,977</u></u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 87,083	\$ 87,083
Due to bond holders	8,212,894	-	8,212,894
<b>Total Liabilities</b>	<u><u>\$ 8,212,894</u></u>	<u><u>\$ 87,083</u></u>	<u><u>\$ 8,299,977</u></u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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 Public Property Financing Corporation of California.

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.

#### 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.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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 \$1,916,850.

**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.

**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).

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Non-Major Governmental Funds

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

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

**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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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 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, 2018

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### 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, 2018

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

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Prepaid Expenditures (Expenses)**

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

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at 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, 2018**

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

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Pensions

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

### Postemployment Benefits Other Than Pensions (OPEB)

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

### Fund Balances - Governmental Funds

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

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

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

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other actions as approved by the governing board. The District did not have any committed fund balances as of June 30, 2018.

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

**Unassigned** - all other spendable amounts.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **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**

In fiscal year 2017-2018, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports \$6,384,709 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.

### **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, 2018

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### Change in Accounting Principles

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

### **New Accounting Pronouncements**

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

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

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

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.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

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

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

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

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

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

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



# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental activities	\$ 37,475,091
Fiduciary funds	8,267,347
Total Deposits and Investments	<u>\$ 45,742,438</u>

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

Cash on hand and in banks	\$ 80,521
Cash in revolving	5,000
Investments	45,656,917
Total Deposits and Investments	<u>\$ 45,742,438</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, 2018

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### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Ventura County 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, 2018**

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**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 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:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Average Maturity in Days</u>
Ventura County Treasury Investment Pool	\$ 25,235,421	148
Invesco Private Capital - Treasury Portfolio	20,421,496	29
Total	<u>\$ 45,656,917</u>	

**Custodial Credit Risk - Deposits**

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2018:

Investment Type	Reported Amount	Fair Value Measurements Using	Uncategorized
		Level 2 Inputs	
Ventura County Treasury Investment Pool	\$ 25,235,421	\$ -	\$ 25,235,421
Invesco Private Capital - Treasury Portfolio	20,421,496	20,421,496	-
Total	<u>\$ 45,656,917</u>	<u>\$ 20,421,496</u>	<u>\$ 25,235,421</u>

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 4 - RECEIVABLES**

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

	General Fund	Cafeteria Funds	Building Fund
Federal Government			
Categorical aid	\$ 1,240,620	\$ 508,282	\$ -
State Government			
Categorical aid	179,614	34,406	-
Lottery	218,287	-	-
Local Sources			
Interest	59,366	1,901	39,200
Other	277,622	34,837	-
Total	<u>\$ 1,975,509</u>	<u>\$ 579,426</u>	<u>\$ 39,200</u>

	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government				
Categorical aid	\$ -	\$ -	\$ 1,748,902	\$ -
State Government				
Categorical aid	-	-	214,020	-
Lottery	-	-	218,287	-
Local Sources				
Interest	15,837	33,310	149,614	9,754
Other	-	-	312,459	-
Total	<u>\$ 15,837</u>	<u>\$ 33,310</u>	<u>\$ 2,643,282</u>	<u>\$ 9,754</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 11,107,629	\$ -	\$ 27,750	\$ 11,079,879
Construction in process	8,224,361	23,346,930	1,012,663	30,558,628
Total Capital Assets	<u>19,331,990</u>	<u>23,346,930</u>	<u>1,040,413</u>	<u>41,638,507</u>
Capital Assets Being Depreciated				
Land improvements	6,377,673	64,197	29,104	6,412,766
Buildings and improvements	135,255,078	1,198,614	7,980,351	128,473,341
Furniture and equipment	6,358,339	236,496	-	6,594,835
Total Capital Assets	<u>147,991,090</u>	<u>1,499,307</u>	<u>8,009,455</u>	<u>141,480,942</u>
Less Accumulated Depreciation				
Land improvements	2,950,851	307,844	29,104	3,229,591
Buildings and improvements	30,362,546	2,826,970	1,963,619	31,225,897
Furniture and equipment	4,587,413	568,605	-	5,156,018
Total Accumulated	<u>37,900,810</u>	<u>3,703,419</u>	<u>1,992,723</u>	<u>39,611,506</u>
Governmental Activities	<u>\$ 129,422,270</u>	<u>\$ 21,142,818</u>	<u>\$ 7,057,145</u>	<u>\$ 143,507,943</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 2,888,723
School site administration	222,209
Home-to-school transportation	74,071
All other pupil services	74,071
Data processing	36,960
All other general administration	185,176
Plant services	222,209
Total Depreciation Expenses Governmental Activities	<u>\$ 3,703,419</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

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

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**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, 2018, between major and non-major governmental funds are as follows:

Due To	Due From		
	General Fund	Cafeteria Fund	Total Governmental Funds
General Fund	\$ -	\$ 1,030,000	\$ 1,030,000
Cafeteria Fund	288,757	-	288,757
Total	<u>\$ 288,757</u>	<u>\$ 1,030,000</u>	<u>\$ 1,318,757</u>

A balance of \$288,757 is due to the Cafeteria Fund from the General Fund for catering and other operating  
 A balance of \$1,030,000 is due to the General Fund from the Cafeteria Fund for temporary operating loans.

**Operating Transfers**

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

Transfer To	Transfer From General Funds
Cafeteria Fund	<u>\$ 285,833</u>
The General Fund transferred to the Cafeteria Fund to cover operating costs.	<u>\$ 285,833</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**NOTE 7 – LOAN RECEIVABLE**

The Rio Elementary School District sold a real property and as part of the sales transaction, the District provided a loan to the purchasing party (the borrower). The total amount of the loan provided to the borrower under the agreement was \$7,000,000. Under the agreement, the borrower is required to make \$1,000,000 by July 10, 2018 followed by another payment that is due on or before January 4, 2019. The remaining balance of \$1,500,000 will be subject to a reduction based on specific development conditions stipulated in the agreement between Rio Elementary School District and the borrower. On June 30, 2018, the outstanding loan receivable balance was \$7,000,000.

**NOTE 8 - ACCOUNTS PAYABLE**

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

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
LCFF apportionment	\$ 1,031,946	\$ -	\$ -	\$ -	\$ 1,031,946
Salaries and benefits	355,047	34,267	-	-	389,314
Materials and supplies	133,243	34,462	-	-	167,705
Services	448,451	2,349	316,126	38,574	805,500
Construction	-	-	2,404,237	-	2,404,237
Due to SELPA	2,018,808	-	-	-	2,018,808
Due to local governments	359,748	-	-	-	359,748
Other	208,842	-	-	-	208,842
Total	<u>\$ 4,556,085</u>	<u>\$ 71,078</u>	<u>\$ 2,720,363</u>	<u>\$ 38,574</u>	<u>\$ 7,386,100</u>



# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2017, as restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
2007 General obligation refunding bonds	\$ 785,000	\$ -	\$ 785,000	\$ -	\$ -
Premium on issuance	23,343	-	23,343	-	-
2014 General obligation bonds, Series A	19,450,000	-	595,000	18,855,000	-
Premium on issuance	399,070	-	14,338	384,732	-
2014 General obligation bonds, Series B	18,500,000	-	-	18,500,000	-
Premium on issuance	1,199,375	-	41,839	1,157,536	-
2016 General obligation refunding bonds	9,730,000	-	-	9,730,000	695,000
Premium on issuance	1,900,886	-	150,070	1,750,816	-
2015 Certificates of participation	6,145,000	-	6,145,000	-	-
Discount on issuance	(74,189)	-	(74,189)	-	-
2016 Certificates of participation	5,610,000	-	310,000	5,300,000	300,000
Premium on issuance	534,181	-	38,615	495,566	-
Lease purchase agreement	1,815,065	-	1,815,065	-	-
Capital leases	8,757	-	7,471	1,286	1,286
Compensated absences	455,441	-	94,285	361,156	-
Supplemental retirement payments	52,000	2,000	-	54,000	-
Supplemental retirement PARS	742,184	-	185,546	556,638	185,546
Legal settlement	36,578	-	12,192	24,386	24,386
Net other postemployment benefits (OPEB) liability	25,511,298	735,268	20,317	26,226,249	-
Total	<u>\$ 92,823,989</u>	<u>\$ 737,268</u>	<u>\$ 10,163,892</u>	<u>\$ 83,397,365</u>	<u>\$ 1,206,218</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made by the General Fund. 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. Net other postemployment benefits are generally paid by the General Fund.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
5/2/2007	8/1/2029	3.57-5.00%	\$ 16,396,187	\$ 785,000	\$ -	\$ 785,000	\$ -
6/4/2015	8/1/2044	2.00-5.00%	20,000,000	19,450,000	-	595,000	18,855,000
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	9,730,000	-	-	9,730,000
				<u>\$ 48,465,000</u>	<u>\$ -</u>	<u>\$ 1,380,000</u>	<u>\$ 47,085,000</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. As of June 30, 2018, the 2007 Refunding Bonds have been fully retired.

**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, 2018, the principal outstanding was \$18,855,000 and unamortized premium received on issuance was \$384,732.

**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, 2018, the principal outstanding was \$18,500,000. Unamortized premium received on issuance was \$1,157,536.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, 2018, the principal balance outstanding was \$9,730,000, and unamortized premium on issuance and deferred amount on refunding were \$1,750,816 and \$229,915, 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>
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	975,000	1,910,525	2,885,525
2024-2028	6,160,000	9,397,075	15,557,075
2029-2033	5,850,000	9,294,294	15,144,294
2034-2038	7,840,000	9,995,519	17,835,519
2039-2043	12,880,000	10,701,956	23,581,956
2044-2046	10,330,000	4,496,400	14,826,400
Total	<u>\$ 47,085,000</u>	<u>\$ 53,566,844</u>	<u>\$ 100,651,844</u>

### 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. As of June 30, 2018, the 2015 Certificates of Participation have been fully retired.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### 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, 2018, the principal balance outstanding was \$5,300,000, and unamortized premium on issuance deferred amount on refunding were \$495,566, and \$208,094, respectively.

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

Year Ending June 30,	Principal	Interest	Total
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	355,000	153,200	508,200
2024-2028	2,025,000	539,400	2,564,400
2029-2032	1,615,000	159,400	1,774,400
Total	<u>\$ 5,300,000</u>	<u>\$ 1,585,400</u>	<u>\$ 6,885,400</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 were scheduled to be paid in full by October 1, 2020. As of June 30, 2018, the lease purchase obligation has been retired.

### 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, 2017	\$ 9,058
Payments	(7,763)
Balance, June 30, 2018	<u>\$ 1,295</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
<u>2018</u>	\$ 1,295
Less: Amount Representing Interest	(9)
Present Value of Minimum Lease Payments	<u>\$ 1,286</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$361,156.

### 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, 2018, there were a total of two employees eligible to receive the supplemental retirement payments. The current outstanding liability to the District is \$54,000.

### 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
2019	\$ 185,546
2020	185,546
2021	185,546
Total	<u>\$ 556,638</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**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 \$36,578, including accrued interest. Since the original agreement, the District renegotiated the terms of the settlement numerous times to allow financial flexibility. During the 2017-2018 fiscal year, the District has renegotiated the terms of the settlement in accordance to the following schedule:

<u>Fiscal Year</u>	<u>Total</u>
2019	\$ 24,386

**Net Postemployment Benefit (OPEB) Liability**

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

<u>OPEB Plan</u>	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 25,892,935	\$ 424,392	\$ 1,225,985
Medicare Premium Payment (MPP) Program	333,314	-	(20,317)
Total	<u>\$ 26,226,249</u>	<u>\$ 424,392</u>	<u>\$ 1,205,668</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefits payments	96
Active employees	433
	<u>529</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Benefits Provided*

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

### *Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District, the Rio Teachers Association (RTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2017-2018, the District contributed \$424,392, to the Plan, all of which was used for current premiums.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$25,892,935, was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

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

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.13 percent
Healthcare cost trend rates	5.00 percent for 2017

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017, valuation were based on a review of plan experience during the period July 1, 2015, to June 30, 2017.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2016	\$ 25,157,667
Service cost	446,171
Interest	779,814
Benefit payments	(490,717)
Net change in total OPEB liability	<u>735,268</u>
Balance at June 30, 2017	<u><u>\$ 25,892,935</u></u>

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.13%)	\$ 29,467,053
Current discount rate (3.13%)	25,892,935
1% increase (4.13%)	22,903,248

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.00%)	\$ 22,723,159
Current healthcare cost trend rate (5.00%)	25,892,935
1% increase (6.00%)	29,696,276

**OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,225,985. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$424,392.



# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Medicare Premium Payment (MPP) Program

#### Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$333,314, for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0792 percent, and 0.0756 percent, resulting in a net increase in the proportionate share of 0.0036 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(20,317).

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

#### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 369,002
Current discount rate (3.58%)	333,314
1% increase (4.58%)	298,600

#### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 301,200
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	333,314
1% increase (4.7% Part A and 5.1% Part B)	365,107

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

These bonds are authorized to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the Community Facilities District. Neither the faith and credit nor taxing power of the Rio Elementary School District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the Rio Elementary School District has no duty to pay the delinquency out of any available funds of the District. The Rio Elementary School District acts solely as an agent for those paying taxes levied and the bondholders. The Rio Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2013, Series, 2014, and Series 2016 have remaining balances as of June 30, 2018, of \$69,370,000.

### NOTE 11 - 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
<b>Nonspendable</b>						
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	19,159	14,048	-	-	-	33,207
Prepaid expenditures	11,720	-	63,400	-	-	75,120
Total Nonspendable	<u>35,879</u>	<u>14,048</u>	<u>63,400</u>	<u>-</u>	<u>-</u>	<u>113,327</u>
<b>Restricted</b>						
Legally restricted	1,166,306	-	-	-	-	1,166,306
Capital Projects	-	-	3,830,861	17,235,597	3,708,490	24,774,948
Debt services	-	-	-	-	2,474,759	2,474,759
Total Restricted	<u>1,166,306</u>	<u>-</u>	<u>3,830,861</u>	<u>17,235,597</u>	<u>6,183,249</u>	<u>28,416,013</u>
<b>Assigned</b>						
Postemployment benefits	1,902,770	-	-	-	-	1,902,770
Deferred maintenance	14,080	-	-	-	-	14,080
Other	280,000	-	-	-	-	280,000
Total Assigned	<u>2,196,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,196,850</u>
<b>Unassigned</b>						
Reserve for economic uncertainties	1,738,103	-	-	-	-	1,738,103
Remaining unassigned	387,351	(11,044)	-	-	-	376,307
Total Unassigned	<u>2,125,454</u>	<u>(11,044)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,114,410</u>
Total	<u>\$ 5,524,489</u>	<u>\$ 3,004</u>	<u>\$ 3,894,261</u>	<u>\$ 17,235,597</u>	<u>\$ 6,183,249</u>	<u>\$ 32,840,600</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 12 - 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 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 40,470,585	\$ 16,558,607	\$ 1,783,715	\$ 5,232,984
CalPERS	14,046,057	4,885,023	248,818	2,910,058
Total	<u>\$ 54,516,642</u>	<u>\$ 21,443,630</u>	<u>\$ 2,032,533</u>	<u>\$ 8,143,042</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2018**

The STRP provisions and benefits in effect at June 30, 2018, 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	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

**Contributions**

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$3,346,368.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 40,470,585
State's proportionate share of the net pension liability associated with the District	23,942,056
Total	<u>\$ 64,412,641</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0438 percent and 0.0425 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$5,232,984. In addition, the District recognized pension expense and revenue of \$2,409,998, for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,346,368	\$ -
Net change in proportionate share of net pension liability	5,564,926	-
Difference between projected and actual earnings on pension plan investments	-	1,077,843
Difference between expected and actual experiences in the measurement of the total pension liability	149,664	705,872
Changes of assumptions	7,497,649	-
Total	<u>\$ 16,558,607</u>	<u>\$ 1,783,715</u>

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

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ (896,052)
2020	678,047
2021	97,771
2022	(957,609)
Total	<u>\$ (1,077,843)</u>



**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ 2,323,246
2020	2,323,246
2021	2,323,246
2022	2,323,245
2023	1,799,532
Thereafter	1,413,852
Total	<u>\$ 12,506,367</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 59,423,668
Current discount rate (7.10%)	40,470,585
1% increase (8.10%)	25,088,875

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

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

#### Benefits Provided

CalPERS 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.53%	15.53%

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, 2018, are presented above and the total District contributions were \$1,219,707.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,046,057. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0588 percent and 0.0595 percent, resulting in a net decrease in the proportionate share of 0.0007 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,910,058. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,219,707	\$ -
Net change in proportionate share of net pension liability	624,559	83,443
Difference between projected and actual earnings on pension plan investments	485,897	-
Difference between expected and actual experiences in the measurement of the total pension liability	503,212	-
Changes of assumptions	2,051,648	165,375
Total	<u>\$ 4,885,023</u>	<u>\$ 248,818</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, 2018**

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ (13,166)
2020	560,620
2021	204,521
2022	(266,078)
Total	<u>\$ 485,897</u>

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ 1,194,630
2020	1,052,310
2021	683,661
Total	<u>\$ 2,930,601</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### Actuarial Methods and Assumptions

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

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

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 20,666,251
Current discount rate (7.15%)	14,046,057
1% increase (8.15%)	8,554,052

### 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 \$2,233,904 (9.328 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 included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

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

#### Litigation

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

#### Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Rio K-8 STEAM School	\$ 3,076,896	August 31, 2018
Rio Lindo Building A Remodel	178,927	August 31, 2019
Rio Lindo Fire Alarm System Upgrade	43,834	August 31, 2019
Rio del Valle MPR/Kitchen Remodel	221,482	August 31, 2020
	<u>\$ 3,521,139</u>	



# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 15 - 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, 2018, the District made payments of \$248,530, \$6,872,580, and \$4,290, to VCSSFA, SISC, and VCFAST, respectively, for services received.

### NOTE 16 - SUBSEQUENT EVENTS

The District issued \$2,080,000 of Tax and Revenue Anticipation Notes dated July 12, 2018. The notes mature on June 28, 2019, with an interest rate of 3.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 19, 2019, until 100 percent of principal and interest due is on account in June 28, 2019.

### NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Net Position - Beginning	\$ 77,484,456
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(16,963,902)</u>
Net Position - Beginning as Restated	<u><u>\$ 60,520,554</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**RIO ELEMENTARY SCHOOL DISTRICT**

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

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>Final</b>
				<b>to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$48,249,596	\$48,312,136	\$48,213,297	\$ (98,839)
Federal sources	2,231,532	2,479,722	2,429,625	(50,097)
Other State sources	2,364,604	3,573,842	5,728,278	2,154,436
Other local sources	3,452,913	3,671,456	3,823,864	152,408
<b>Total Revenues</b> <sup>1</sup>	<b>56,298,645</b>	<b>58,037,156</b>	<b>60,195,064</b>	<b>2,157,908</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	22,859,277	23,415,664	24,302,046	(886,382)
Classified salaries	6,904,502	7,124,010	7,585,513	(461,503)
Employee benefits	13,025,837	13,460,100	15,185,957	(1,725,857)
Books and supplies	2,874,989	2,559,118	2,031,779	527,339
Services and operating expenditures	6,465,256	7,642,980	7,306,708	336,272
Capital outlay	719,057	599,506	255,186	344,320
Other outgo	2,249,968	2,732,823	2,591,911	140,912
Debt service - principal	620,000	310,000	310,000	-
Debt service - interest	251,855	315,733	315,733	-
<b>Total Expenditures</b> <sup>1</sup>	<b>55,970,741</b>	<b>58,159,934</b>	<b>59,884,833</b>	<b>(1,724,899)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>327,904</b>	<b>(122,778)</b>	<b>310,231</b>	<b>433,009</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	95,046	195,118	-	(195,118)
Transfers out	(248,321)	-	(285,833)	(285,833)
<b>Net Financing Sources (Uses)</b>	<b>(153,275)</b>	<b>195,118</b>	<b>(285,833)</b>	<b>(480,951)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>174,629</b>	<b>72,340</b>	<b>24,398</b>	<b>(47,942)</b>
<b>Fund Balance - Beginning</b>	<b>5,500,091</b>	<b>5,500,091</b>	<b>5,500,091</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,674,720</b>	<b>\$ 5,572,431</b>	<b>\$ 5,524,489</b>	<b>\$ (47,942)</b>

<sup>1</sup> On behalf payments of \$2,233,904 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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Federal sources	\$ 3,180,000	\$ 3,180,216	\$ 3,005,065	\$ (175,151)
Other State sources	180,000	207,283	253,933	46,650
Other local sources	237,500	237,500	310,888	73,388
<b>Total Revenues</b>	<b>3,597,500</b>	<b>3,624,999</b>	<b>3,569,886</b>	<b>(55,113)</b>
<b>EXPENDITURES</b>				
Current				
Classified salaries	1,149,528	1,088,405	1,145,777	(57,372)
Employee benefits	473,733	456,504	461,171	(4,667)
Books and supplies	1,915,315	1,909,625	2,270,511	(360,886)
Services and operating expenditures	48,837	48,837	(16,782)	65,619
Other outgo	9,505	9,505	-	9,505
Debt service - principal	-	-	7,471	(7,471)
Debt service - interest	-	-	292	(292)
<b>Total Expenditures</b>	<b>3,596,918</b>	<b>3,512,876</b>	<b>3,868,440</b>	<b>(355,564)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>582</b>	<b>112,123</b>	<b>(298,554)</b>	<b>(410,677)</b>
<b>Other Financing Sources</b>				
Transfers in	75,000	100,000	285,833	185,833
<b>NET CHANGE IN FUND BALANCES</b>	<b>75,582</b>	<b>212,123</b>	<b>(12,721)</b>	<b>(224,844)</b>
<b>Fund Balance - Beginning</b>	<b>15,725</b>	<b>15,725</b>	<b>15,725</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 91,307</b>	<b>\$ 227,848</b>	<b>\$ 3,004</b>	<b>\$ (224,844)</b>

# RIO ELEMENTARY SCHOOL DISTRICT

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

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 446,171
Interest	779,814
Benefit payments	<u>(490,717)</u>
<b>Net change in total OPEB liability</b>	735,268
<b>Total OPEB liability - beginning</b>	<u>25,157,667</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 25,892,935</u></u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>

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

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
OPEB LIABILITY - MPP PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2018**

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Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0792%</u>
District's proportionate share of the net OPEB liability	<u>\$ 333,314</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

**RIO ELEMENTARY SCHOOL DISTRICT**

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

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0438%</u>	<u>0.0425%</u>
District's proportionate share of the net pension liability	\$ 40,470,585	\$ 34,362,794
State's proportionate share of the net pension liability associated with the District	<u>23,942,056</u>	<u>19,562,126</u>
Total	<u><u>\$ 64,412,641</u></u>	<u><u>\$ 53,924,920</u></u>
District's covered - employee payroll	<u>\$ 21,335,533</u>	<u>\$ 21,466,618</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>189.69%</u>	<u>160.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0588%</u>	<u>0.0595%</u>
District's proportionate share of the net pension liability	<u>\$ 14,046,057</u>	<u>\$ 11,755,335</u>
District's covered - employee payroll	<u>\$ 7,453,420</u>	<u>\$ 7,310,632</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>188.45%</u>	<u>160.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

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<u>2016</u>	<u>2015</u>
<u>0.0381%</u>	<u>0.0323%</u>
\$ 25,663,257	\$ 18,873,130
<u>13,573,034</u>	<u>11,396,411</u>
<u>\$ 39,236,291</u>	<u>\$ 30,269,541</u>
<u>\$ 17,692,838</u>	<u>\$ 16,207,657</u>
<u>145.05%</u>	<u>116.45%</u>
<u>74%</u>	<u>77%</u>
<u>0.0528%</u>	<u>0.0493%</u>
<u>\$ 7,778,797</u>	<u>\$ 5,599,658</u>
<u>\$ 5,666,366</u>	<u>\$ 5,185,512</u>
<u>137.28%</u>	<u>107.99%</u>
<u>79%</u>	<u>83%</u>



**RIO ELEMENTARY SCHOOL DISTRICT**

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

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 3,346,368	\$ 2,684,010
Contributions in relation to the contractually required contribution	<u>(3,346,368)</u>	<u>(2,684,010)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 23,190,353</u>	<u>\$ 21,335,533</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 1,219,707	\$ 1,035,131
Contributions in relation to the contractually required contribution	<u>(1,219,707)</u>	<u>(1,035,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 7,853,371</u>	<u>\$ 7,453,420</u>
Contributions as a percentage of covered - employee payroll	<u>15.53%</u>	<u>13.89%</u>

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

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<u>2016</u>	<u>2015</u>
\$ 2,302,249	\$ 1,571,124
<u>(2,302,249)</u>	<u>(1,571,124)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 21,466,618</u>	<u>\$ 17,692,838</u>
<u>10.72%</u>	<u>8.88%</u>

\$ 865,950	\$ 666,988
<u>(865,950)</u>	<u>(666,988)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 7,310,632</u>	<u>\$ 5,666,366</u>
<u>11.85%</u>	<u>11.77%</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

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

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

This 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.

At June 30, 2018, the following District’s major funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 58,159,934</u>	<u>\$ 59,884,833</u>	<u>\$ 1,724,899</u>
Cafeteria Fund	<u>\$ 3,512,876</u>	<u>\$ 3,868,440</u>	<u>\$ 355,564</u>

The General Fund expenditures include \$2,233,904 in contributions to CalSTRS on behalf of the District.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances . 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 during the year.

*Changes of Assumptions* – There were no changes of assumptions during the year.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefits Terms* – There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

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

### **Schedule of District Contributions**

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

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***SUPPLEMENTARY INFORMATION***

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**RIO ELEMENTARY SCHOOL DISTRICT**

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education			
Title I, Part A - Low Income and Neglected	84.010	14329	\$ 684,822
Title II, Part A - Supporting Effective Instruction	84.367	14341	139,592
English Language Acquisition Program			
Title III, Part A - Immigrant Student Program	84.365	15146	8,363
Title III, Part A - English Learner Student Program	84.365	14346	257,881
Passed through Ventura County Office of Education SELPA			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	845,543
Preschool Grant, Part B	84.173	13430	38,631
Preschool Local Entitlement	84.027A	13682	131,453
Subtotal Special Education (IDEA) Cluster			<u>1,015,627</u>
Total U.S. Department of Education			<u>2,106,285</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services			
Medical Assistance Program:			
Medi-Cal Billing Option	93.778	10013	134,159
Medi-Cal Administrative Activities	93.778	10060	181,494
Subtotal Medical Assistance Program			<u>315,653</u>
Total U.S. Department of Health and Human Services			<u>315,653</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,690,692
Especially Needy Breakfast Program	10.553	13526	578,961
Commodities	10.555	13396	240,947
Summer Food Service Program	10.559	13004	103,594
Subtotal Child Nutrition Cluster			<u>2,614,194</u>
Child and Adult Care Food Program	10.558	13393	390,871
Total U.S. Department of Agriculture			<u>3,005,065</u>
Total Federal Programs			<u>\$ 5,427,003</u>

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### 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>
Felix Eisenhauer	President	2020
Eleanor Torres	Clerk	2018
Rosa Balderrama	Member	2018
Joe Esquivel	Member	2020
Edith Martinez-Cortez	Member	2018

### ADMINISTRATION

Dr. John Puglisi	Superintendent
Oscar Hernandez	Assistant Superintendent, Educational Services
Wael Saleh	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, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,160.49	2,165.17
Fourth through sixth	1,685.62	1,687.07
Seventh and eighth	1,034.30	1,031.79
Total Regular ADA	<u>4,880.41</u>	<u>4,884.03</u>
Extended Year Special Education		
Transitional kindergarten through third	16.48	16.48
Fourth through sixth	11.05	11.05
Seventh and eighth	2.68	2.68
Total Extended Year Special Education	<u>30.21</u>	<u>30.21</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	<u>2.13</u>	<u>2.06</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.09	0.09
Total ADA	<u>4,912.84</u>	<u>4,916.39</u>

See accompanying note to supplementary information.



**RIO ELEMENTARY SCHOOL DISTRICT**

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	54,354	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,992	180	N/A	Complied
Grade 2		52,992	180	N/A	Complied
Grade 3		52,992	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,758	180	N/A	Complied
Grade 5		55,758	180	N/A	Complied
Grade 6		61,467	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, 2018**

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

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

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

	(Budget) 2019 <sup>1</sup>	2018	2017	2016
GENERAL FUND <sup>4</sup>				
Revenues	\$ 58,206,144	\$ 57,843,945	\$ 58,458,384	\$ 54,792,678
Other sources and transfers in	97,021	1,001,967	95,046	-
Total Revenues and Other Sources	58,303,165	58,845,912	58,553,430	54,792,678
Expenditures	58,092,316	57,650,929	59,940,500	53,282,375
Other uses and transfers out	-	285,833	427,108	589,733
Total Expenditures and Other Uses	58,092,316	57,936,762	60,367,608	53,872,108
INCREASE (DECREASE) IN FUND BALANCE	\$ 210,849	\$ 909,150	\$ (1,814,178)	\$ 920,570
ENDING FUND BALANCE	\$ 3,818,488	\$ 3,607,639	\$ 2,698,489	\$ 4,512,667
AVAILABLE RESERVES <sup>2</sup>	\$ 2,018,982	\$ 2,125,454	\$ 1,825,831	\$ 1,979,447
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.48%	3.82%	3.13%	3.75%
LONG-TERM OBLIGATIONS <sup>5</sup>	N/A	\$ 83,397,365	\$92,823,989	\$ 77,120,076
ATTENDANCE AT P-2	4,911	4,913	4,966	4,868

The General Fund balance has decreased by \$905,028 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$210,849 (5.8 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 2018-2019 fiscal year. Total long-term obligations have increased by \$6,277,289 over the past two years.

Average daily attendance has increased by 45 over the past two years. A decline in 2 ADA is anticipated during fiscal year 2018-2019.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$2,233,904, \$2,012,990, and \$1,154,941, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

<sup>4</sup> 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.

<sup>5</sup> Long-term obligations have been restated as of June 30, 2017, due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

**RIO ELEMENTARY SCHOOL DISTRICT**

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

	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 976,290	\$ 2,749,273	\$ 2,462,950	\$ 6,188,513
Receivables	5,127	16,374	11,809	33,310
<b>Total Assets</b>	<b>\$ 981,417</b>	<b>\$ 2,765,647</b>	<b>\$ 2,474,759</b>	<b>\$ 6,221,823</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 38,574	\$ -	\$ -	\$ 38,574
<b>Fund Balances:</b>				
Restricted	942,843	2,765,647	2,474,759	6,183,249
<b>Total Liabilities and Fund Balances</b>	<b>\$ 981,417</b>	<b>\$ 2,765,647</b>	<b>\$ 2,474,759</b>	<b>\$ 6,221,823</b>

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, 2018**

	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Other State sources	\$ -	\$ -	\$ 13,941	\$ 13,941
Other local sources	462,073	36,585	2,767,775	3,266,433
<b>Total Revenues</b>	<b>462,073</b>	<b>36,585</b>	<b>2,781,716</b>	<b>3,280,374</b>
<b>EXPENDITURES</b>				
Current				
Administration:				
All other administration	13,830	-	-	13,830
Plant services	135,456	-	-	135,456
Facility acquisition and construction	97,426	-	-	97,426
Debt service				
Principal	-	-	1,380,000	1,380,000
Interest and other	-	-	2,032,900	2,032,900
<b>Total Expenditures</b>	<b>246,712</b>	<b>-</b>	<b>3,412,900</b>	<b>3,659,612</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>215,361</b>	<b>36,585</b>	<b>(631,184)</b>	<b>(379,238)</b>
<b>Fund Balances - Beginning</b>	<b>727,482</b>	<b>2,729,062</b>	<b>3,105,943</b>	<b>6,562,487</b>
<b>Fund Balances - Ending</b>	<b>\$ 942,843</b>	<b>\$ 2,765,647</b>	<b>\$ 2,474,759</b>	<b>\$ 6,183,249</b>

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### 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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consist of Medi-Cal Billing Option program funds that have been recorded as revenues in the current period that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 5,434,690
Medi-Cal Billing Option	93.778	(7,687)
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,427,003</u>

#### 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.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2018, 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 14, 2018.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as item 2018-001, that we consider to be a significant deficiency.

### **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 14, 2018.

### **Rio Elementary School District's Response to Findings**

Rio Elementary School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Rio Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result 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 14, 2018



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

Governing Board  
Rio Elementary School District  
Oxnard, California

**Report on Compliance for Each Major Federal Program**

We have audited Rio Elementary School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rio Elementary School District's major Federal programs for the year ended June 30, 2018. 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, 2018.

### **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 14, 2018



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Rio Elementary School District  
Oxnard, California

### **Report on State Compliance**

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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***

As described in the accompanying schedule of findings and questioned costs as item 2018-002, Rio Elementary School District did not comply with requirements regarding the After School Education and Safety Program. 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***

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, 2018.

***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, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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

**CHARTER SCHOOLS**

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

The District does not offer Independent Study Attendance; therefore, we did not perform procedures related to the Independent Study Attendance Program.

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

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

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 offer an Independent Study Course-Based Program; therefore, we did not perform any procedures for the Independent Study Course-Based Program.

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

*Vavrinch, Train, Day & Co., LLP*

Rancho Cucamonga, California  
December 14, 2018

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**RIO ELEMENTARY SCHOOL DISTRICT**

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

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**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>Yes</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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education (IDEA) Cluster</u>
<u>93.778</u>	<u>Medical Assistance Program</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 Program</u>

# RIO ELEMENTARY SCHOOL DISTRICT

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

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The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
60000	Miscellaneous

**2018-001      60000**

### **Criteria or Specific Requirements**

The measurement focus of Governmental Fund accounting is based on the flow of current financial resources. Inter-fund payables and receivables are established to achieve temporary borrowing between funds and they are not intended to record transactions that go beyond a one-year time frame. If the District elects to make contributions to supplement the activities of the programs, the contributions should be permanent and not on a temporary basis, especially if the programs do not have the revenue stream to repay the obligations.

### **Condition**

The District operates Food Services programs (Cafeteria Fund) that require on-going contributions to support the operation. The support has been in the form of operating contributions during the year and inter-fund temporary borrowings at year-end. It appears that the temporary borrowing that's recorded at year-end may not be temporary in nature based on the increasing trend observed over the last 4 years. The District recorded ended the year with an inter-fund payable balance of \$1,030,000 and this represents approximately 28.9% of the total revenues recorded in the Cafeteria Fund during the current fiscal year. Moreover, the District reported inter-fund payable balances of \$468,676, \$545,321, \$665,332, and \$1,035,680 for the fiscal years 2013/2014, 2014/2015, 2015/2016, and 2016/2017, respectively.

### **Questioned costs**

There were no questioned costs associated with the condition identified.

### **Context**

The condition was identified during our review of the Cafeteria Fund financial statements in conjunction with the District's historical trend of year-end inter-fund payable and receivable balances.

# RIO ELEMENTARY SCHOOL DISTRICT

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

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### **Effect**

While inter-fund borrowing is allowed on a temporary basis, the increasing year-over-year inter-fund payable balances observed in the District's Cafeteria Fund suggest that the borrowing may not be temporary. Additionally, the trend places a fiscal burden on the General Fund (as presented in the financial statements, including Deferred Maintenance Fund – Fund 14 and Special Reserve Fund for Postemployment Benefits – Fund 20 that were consolidated into the General Fund under GASB Statement No. 54) as the balances grow.

### **Cause**

The cause is unknown. However, the cause appears to be linked to the stagnant revenue stream that's required to meet the growing needs of the District's Food Services programs.

### **Recommendation**

The District should analyze the composition of the inter-fund payable balance reported in the Cafeteria Fund as of June 30, 2018. At a minimum, the District should identify how much of the balance represents temporary borrowing for short-term operational cash flow needs and how much represents a balance that the District should consider writing-off instead of carrying the balance as an on-going temporary loan.

### **Corrective Action Plan**

The District is currently reviewing the Inter-fund payable and receivable balances to determine how much is necessary for short-term operational cash flow needs. The District has transferred the estimated General Fund Contribution to the Food Service Fund for the 2018/19 Fiscal Year at this time, which will partially alleviate the need for temporary cash borrowings. To date, The District has reduced the inter fund payable balance by \$450,000 and will continue to reduce this balance as lagging Federal and State Reimbursement are received. Finally, the Child Nutrition Department is reviewing and making changes to current Produce and other food procurements and re-evaluating staffing requirements at several sites to help align the program's Revenue and Expenses.

**RIO ELEMENTARY SCHOOL DISTRICT**

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

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None reported.

# RIO ELEMENTARY SCHOOL DISTRICT

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

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The following finding represents an instance of noncompliance relating to State program laws and regulations. The finding has been coded as follows:

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

### *After School Education and Safety Program*

2018-002      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 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 October 2 to 6, 2017, attendance/participation records (sign in/out sheets) and early release forms for Rio del Mar Elementary School and Rio del Norte Elementary School, we noted that numerous students were leave earlier than the stated time identified on the District's policy (4:30PM). These students were being reported by the District as being serviced on the first semi-annual report for the 2017-2018 fiscal year. We were unable to trace the totals reported on the first semi-annual report to the sign out sheets for the sites.

#### **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 2017. 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 2017, 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, 2018**

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#### **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 students served.

#### **Cause**

It appears that the condition identified has materialized as a result of the sites' 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 Program Director will assure that all program coordinators are adhering to the District's early release policy and are implementing the policy accurately and consistently for attendance Purposes. The importance of following established attendance procedures and the resulting audit trail will be emphasized. In addition, the District will continue to disseminate information on the Early Release Policy to parents at each site.

# RIO ELEMENTARY SCHOOL DISTRICT

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

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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.

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

### *After School Education and Safety Program*

**2017-001      40000**

#### **Criteria or Specific Requirements**

According to Education Code Section 8483(a)(1), elementary school pupils are to participate in the full day of the 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

# RIO ELEMENTARY SCHOOL DISTRICT

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

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### **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.

### **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.

### **Current Status**

Not implemented. See current-year finding 2018-002





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

VALUE THE *difference*

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, 2018, 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 14, 2018, on the basic financial statements of Rio Elementary School District.

### ***INTERNAL CONTROLS***

#### *Non-Payroll Disbursements*

##### Observation

Purchase order approval in advance of expenditures taking place demonstrates that expenditures are appropriate, planned and included in the budget. A total of eleven disbursements selected for testing were not approved prior to the invoice or activity date: Nine travel or conference disbursements, one general disbursement, and one employee reimbursement. 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 ensuring 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.

**ASSOCIATED STUDENT BODY (ASB)**

Rio Vista Middle School

*Cash Receipts*

Observation

Based on the review of the cash receipting procedures, we noted that seven of 22 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 72 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should make deposits at least once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the frequency of deposits and the maximum cash on hand that should be maintained at the site.

*Cash Disbursements*

Observation

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

- Out of seven sample disbursements reviewed, none had approvals before commitments with the vendors were made.
- Out of seven sample disbursements reviewed, two had not been approved by the student government in advance of the disbursement.

Recommendation

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 note the results of the fundraiser.

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 and students 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 14, 2018