

Annual Financial Report
June 30, 2019

Rio Elementary
School District



EDUCATING LEARNERS FOR THE 21ST CENTURY



RIO ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Rio Elementary School District
Oxnard, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rio Elementary School District (the District) as of and for the year ended June 30, 2019, 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 *2018-2019 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 72, schedule of changes in the District's total OPEB liability and related ratios on page 73, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 74, schedule of the District's proportionate share of the net pension liability on page 75, and the schedule of District contributions on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rio Elementary School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

This section of Rio Elementary School District's (the District) 2018-2019 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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.

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.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$56,323,180 for the fiscal year ended June 30, 2019. Of this amount, \$(60,076,913) 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	
	2019	2018
Assets		
Current and other assets	\$ 46,534,991	\$ 40,226,700
Loan receivable	1,500,000	7,000,000
Capital assets	163,062,280	143,507,943
Total Assets	211,097,271	190,734,643
Deferred Outflows of Resources	20,230,281	22,306,031
Liabilities		
Current liabilities	8,433,657	8,287,546
Long-term obligations	107,366,332	83,397,365
Aggregate net pension liability	54,945,806	54,516,642
Total Liabilities	170,745,795	146,201,553
Deferred Inflows of Resources	4,258,577	2,032,533
Net Position		
Net investment in capital assets	104,981,974	108,462,865
Restricted	11,418,119	6,384,709
Unrestricted (Deficit)	(60,076,913)	(50,040,986)
Total Net Position	\$ 56,323,180	\$ 64,806,588

The \$(60,076,913) 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 \$(60,076,913) deficit.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 375,540	\$ 232,814
Operating grants and contributions	13,919,356	10,933,806
Capital grants and contributions	62,334	22,882
General revenues:		
Federal and State aid not restricted	42,425,662	37,717,377
Property taxes	14,911,457	19,337,683
Other general revenues	4,849,171	240,792
Total Revenues	76,543,520	68,485,354
Expenses		
Instruction-related	59,740,609	50,623,009
Pupil services	8,996,919	7,928,404
Administration	4,849,457	4,011,356
Plant services	6,348,449	5,859,341
Other	5,091,494	4,848,978
Total Expenses	85,026,928	73,271,088
Special item: net gain on sale of land and buildings	-	9,071,768
Change in Net Position	\$ (8,483,408)	\$ 4,286,034

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$85,026,928. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$14,911,457 (levied for general purposes and for debt service) because the cost was paid by those who benefited from the programs was \$375,540, and by other governments and organizations who subsidized certain programs with grants and contributions was \$13,919,356. We paid for the remaining "public benefit" portion of our governmental activities with \$42,425,662 in unrestricted Federal and State funds, and \$4,849,171 in interest and investment earnings and other revenues.

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. 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	
	2019	2018	2019	2018
Instruction-related activities	\$ 59,740,609	\$ 50,623,009	\$ 49,984,411	\$ 43,861,851
Pupil services	8,996,919	7,928,404	4,968,498	4,207,348
Administration	4,849,457	4,011,356	4,689,792	3,925,331
Plant services	6,348,449	5,859,341	6,329,462	5,840,916
All other services	5,091,494	4,848,978	4,697,535	4,246,140
Total	\$ 85,026,928	\$ 73,271,088	\$ 70,669,698	\$ 62,081,586

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$39,208,620, which is an increase of \$6,368,020 over the last year.

Table 4

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 5,524,489	\$ 66,059,166	\$ 66,549,579	\$ 5,034,076
Building Fund	3,894,261	38,035,593	19,705,226	22,224,628
Cafeteria Fund	3,004	3,796,086	3,775,571	23,519
Capital Projects Fund for Blended Component Units	17,235,597	872,631	15,790,505	2,317,723
Capital Facilities Fund	942,843	2,514,334	414,400	3,042,777
County Schools Facilities Fund	2,765,647	62,334	1,981,848	846,133
Special Reserve Fund for Capital Outlay Projects	-	5,510,841	4,316,462	1,194,379
Bond Interest and Redemption Fund	2,474,759	6,610,920	4,560,294	4,525,385
Total	\$ 32,840,600	\$ 123,461,905	\$ 117,093,885	\$ 39,208,620

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019. 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 percent salary increase after the 2nd 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, 2019, the District had \$163,062,280 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 \$19,554,337, or 13.6 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land	\$ 11,079,879	\$ 11,079,879
Construction in progress	591,025	30,558,628
Buildings and improvements	149,748,559	100,430,619
Equipment	1,642,817	1,438,817
Total	\$ 163,062,280	\$ 143,507,943

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$107,366,332 in long-term obligations outstanding versus \$83,397,365 last year, a decrease of 28.7 percent. The long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 70,900,000	\$ 47,085,000
Premium on issuance	5,292,483	3,293,084
Certificates of participation	4,345,000	5,300,000
Premium on issuance	456,951	495,566
Capital lease obligations	-	1,286
Compensated absences	402,094	361,156
Supplemental retirement payments	56,000	54,000
Legal settlement	12,193	24,386
Supplemental early retirement - PARS	371,092	556,638
Net other postemployment benefits (OPEB) liability	25,530,519	26,226,249
Total	\$ 107,366,332	\$ 83,397,365

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 \$70,900,000 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 has a net pension liability of \$54,945,806, versus \$54,516,642 last year, an increase of \$429,164, or 0.8 percent.

RIO ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 2019-2020 year, the governing board and management used the following criteria:

Assumption	2019-2020
Revenues:	
Average Daily Attendance (ADA)	5141
Funded ADA *	5141
Cost of Living Adjustments	3.26%
LCFF Calculator	FCMAT
LCFF Gap Funding Percentage	100.00%
	\$
One Time Contribution to General Fund	-
Restricted Lottery Revenues	\$53/ADA
Unrestricted Lottery	\$151/ADA
Carryovers from Prior Year	Included
Expenditures:	
Step and Column Adjustments	Actual Cost
Salary Increases/Settlements	None
Certificated Staffing Changes	Budgeted
Administrator Staffing Changes	Budgeted
Classified Staffing Due Changes	Budgeted
STRS	16.7%
PERS	2.73%
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	637
Grades first through second	26:1	1153
Grade three	30:1	580
Grades four through eight	31:1	2948

RIO ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

RIO ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 43,374,899
Receivables	3,089,648
Prepaid expenses	31,221
Stores inventories	39,223
Loan receivable	1,500,000
Capital Assets	
Land and construction in process	11,670,904
Other capital assets	195,831,521
Less: accumulated depreciation	(44,440,145)
Total Capital Assets	<u>163,062,280</u>
Total Assets	<u>211,097,271</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	689,500
Deferred outflows of resources related to pensions	19,255,372
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	285,409
Total Deferred Outflows of Resources	<u>20,230,281</u>
LIABILITIES	
Accounts payable	7,298,723
Accrued interest payable	1,107,286
Unearned revenue	27,648
Long-Term Obligations	
Current portion of long-term obligations other than pensions	927,740
Noncurrent portion of long-term obligations other than pensions	106,438,592
Total Long-Term Obligations	<u>107,366,332</u>
Aggregate net pension liability	<u>54,945,806</u>
Total Liabilities	<u>170,745,795</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,961,775
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	1,296,802
Total Deferred Inflows of Resources	<u>4,258,577</u>
NET POSITION	
Net investment in capital assets	104,981,974
Restricted for:	
Debt service	3,418,099
Capital projects	7,401,012
Educational programs	598,954
Other activities	54
Unrestricted deficit	<u>(60,076,913)</u>
Total Net Position	<u>\$ 56,323,180</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, 2019

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:					Governmental Activities
Instruction	\$ 51,305,030	\$ 26,354	\$ 9,392,561	\$ 62,334	\$ (41,823,781)
Instruction-related activities:					
Supervision of instruction	1,576,334	76	217,676	-	(1,358,582)
Instructional library, media, and technology	1,926,186	-	31,345	-	(1,894,841)
School site administration	4,933,059	36	25,816	-	(4,907,207)
Pupil services:					
Home-to-school transportation	1,773,854	24	88,167	-	(1,685,663)
Food services	3,924,503	329,997	3,079,325	-	(515,181)
All other pupil services	3,298,562	-	530,908	-	(2,767,654)
Administration:					
Data processing	910,824	-	-	-	(910,824)
All other administration	3,938,633	7,355	152,310	-	(3,778,968)
Plant services	6,348,449	510	18,477	-	(6,329,462)
Ancillary services	36,936	-	-	-	(36,936)
Community services	905	-	-	-	(905)
Enterprise services	3,530	3	103	-	(3,424)
Interest on long-term obligations	2,601,092	-	-	-	(2,601,092)
Other outgo	2,449,031	11,185	382,668	-	(2,055,178)
Total Governmental Activities	\$ 85,026,928	\$ 375,540	\$ 13,919,356	\$ 62,334	(70,669,698)
General Revenues and Subventions:					
					11,744,802
					2,700,131
					466,524
					42,425,662
					523,204
					4,325,967
					<u>62,186,290</u>
					(8,483,408)
					64,806,588
					<u>\$ 56,323,180</u>

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

RIO ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 5,461,352	\$ 26,304,898	\$ 11,608,649	\$ 43,374,899
Receivables	2,142,636	199,827	747,185	3,089,648
Due from other funds	1,052,547	785,000	1,503,364	3,340,911
Prepaid expenditures	27,721	2,000	1,500	31,221
Stores inventories	15,758	-	23,465	39,223
Total Assets	\$ 8,700,014	\$ 27,291,725	\$ 13,884,163	\$ 49,875,902
FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,517,075	\$ 3,569,313	\$ 212,335	\$ 7,298,723
Due to other funds	140,343	1,497,784	1,702,784	3,340,911
Unearned revenue	8,520	-	19,128	27,648
Total Liabilities	3,665,938	5,067,097	1,934,247	10,667,282
Fund Balances:				
Nonspendable	48,479	-	23,465	71,944
Restricted	598,954	22,224,628	10,732,072	33,555,654
Assigned	1,320,761	-	1,194,379	2,515,140
Unassigned	3,065,882	-	-	3,065,882
Total Fund Balances	5,034,076	22,224,628	11,949,916	39,208,620
Total Liabilities and Fund Balances	\$ 8,700,014	\$ 27,291,725	\$ 13,884,163	\$ 49,875,902

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
JUNE 30, 2019**

Total Fund Balance - Governmental Funds		\$ 39,208,620
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported as assets in the governmental funds.		
The cost of capital assets is	\$ 207,502,425	
Accumulated depreciation is	<u>(44,440,145)</u>	
Net Capital Assets		163,062,280
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, 2019.		
		689,500
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(1,107,286)
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 \$1,500,000 as of June 30, 2019.		
		1,500,000
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	5,622,237	
Net change in proportionate share of net pension liability	4,686,552	
Differences between projected and actual earnings on pension plan investments	130,052	
Differences between expected and actual experience in the measurement of the total pension liability	1,160,651	
Changes of assumptions	<u>7,655,880</u>	
Total Deferred Outflows of Resources Related to Pensions		19,255,372

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, 2019**

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 changed in proportionate share of net pension liability		
Net change in proportionate share of net pension liability	\$	(888,748)
Differences between projected and actual earnings on pension plan investments		(1,505,220)
Differences between expected and actual experience in the measurement of the total pension liability		<u>(567,807)</u>
Total Deferred Inflows of Resources Related to Pensions		\$ (2,961,775)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(54,945,806)
consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources related to OPEB		285,409
Deferred inflows of resources related to OPEB represent an acquisition of net position in a future period and are not reported in the District's funds. Deferred inflows of resources related to OPEB		(1,296,802)
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		(70,900,000)
Unamortized premium		(5,292,483)
Certificates of participation		(4,345,000)
Unamortized premium		(456,951)
Compensated absences (vacations)		(402,094)
Supplement retirement payments		(56,000)
Supplemental retirement PARS		(371,092)
Legal settlement		(12,193)
Net other postemployment benefits (OPEB) liability		<u>(25,530,519)</u>
Total Long-Term Obligations		<u>(107,366,332)</u>
Total Net Position - Governmental Activities		<u>\$ 56,323,180</u>

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, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 52,056,823	\$ -	-	\$ 52,056,823
Federal sources	2,827,358	-	3,061,171	5,888,529
Other State sources	7,607,155	-	197,354	7,804,509
Other local sources	3,168,380	300,497	10,195,522	13,664,399
Total Revenues	<u>65,659,716</u>	<u>300,497</u>	<u>13,454,047</u>	<u>79,414,260</u>
EXPENDITURES				
Current				
Instruction	42,458,725	-	-	42,458,725
Instruction-related activities:				
Supervision of instruction	1,419,317	-	-	1,419,317
Instructional library, media and technology	1,197,414	-	-	1,197,414
School site administration	4,165,485	-	-	4,165,485
Pupil services:				
Home-to-school transportation	1,610,158	-	-	1,610,158
Food services	79,932	-	3,706,884	3,786,816
All other pupil services	2,890,851	-	-	2,890,851
Administration:				
Data processing	850,000	-	-	850,000
All other administration	3,368,360	-	125,866	3,494,226
Plant services	5,109,128	-	475,442	5,584,570
Ancillary services	35,916	-	-	35,916
Other outgo	2,421,404	-	27,627	2,449,031
Enterprise services	481	-	2,850	3,331
Facility acquisition and construction	318,424	19,705,226	5,249,505	25,273,155
Debt service				
Principal	300,000	-	696,286	996,286
Interest and other	246,360	-	2,371,539	2,617,899
Total Expenditures	<u>66,471,955</u>	<u>19,705,226</u>	<u>12,655,999</u>	<u>98,833,180</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(812,239)</u>	<u>(19,404,729)</u>	<u>798,048</u>	<u>(19,418,920)</u>
Other Financing Sources (Uses)				
Transfers in	399,450	14,735,096	2,059,472	17,194,018
Other sources - proceeds from issuance of general obligation bonds	-	23,000,000	1,510,000	24,510,000
Other sources - premium on issuance of general obligation bonds	-	-	2,343,627	2,343,627
Transfers out	(77,624)	-	(17,116,394)	(17,194,018)
Other uses - payments to certificates of participation escrow agent	-	-	(1,066,687)	(1,066,687)
Net Financing Sources (Uses)	<u>321,826</u>	<u>37,735,096</u>	<u>(12,269,982)</u>	<u>25,786,940</u>
NET CHANGE IN FUND BALANCES	<u>(490,413)</u>	<u>18,330,367</u>	<u>(11,471,934)</u>	<u>6,368,020</u>
Fund Balances - Beginning	<u>5,524,489</u>	<u>3,894,261</u>	<u>23,421,850</u>	<u>32,840,600</u>
Fund Balances - Ending	<u>\$ 5,034,076</u>	<u>\$ 22,224,628</u>	<u>\$ 11,949,916</u>	<u>\$ 39,208,620</u>

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 FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds **\$ 6,368,020**

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	\$ 24,382,976	
Depreciation expense	(4,828,639)	
Net Expense Adjustment		19,554,337

In the Statement of Activities, certain operating expenses - compensated absences (vacations), supplemental early retirement incentive, and special termination benefits (cash in lieu of medical benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned was more than amounts used by \$40,938. The supplemental early retirement incentive paid was more than the amount offered by \$185,546. Special termination benefits earned were more than the amounts paid by \$2,000.

142,608

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position, and does not affect the Statement of Activities. This adjustment combines the net changes of the following balances:

Proceeds from sale of 2018 General Obligation Bonds, Series A	(23,000,000)	
Proceeds from sale of 2018 General Obligation Bonds, Series B	(1,510,000)	
Combined adjustment		(24,510,000)

Governmental funds report the effect of premiums, and deferred amount on refunding when the debt is first issued, where as the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:

Premium on issuance of general obligation bonds	(2,343,627)	
Deferred amount on refunding of general obligations bonds	376,751	
Combined adjustment		(1,966,876)

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, 2019

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. (3,546,664)

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. (740,055)

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	\$ 695,000	
Capital lease obligation	1,286	
Certificates of participation	955,000	
Combined adjustment	\$ 1,651,286	\$ 1,651,286

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	382,844	
Amortization of deferred charge on refunding	(125,260)	
Combined adjustment	257,584	257,584

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 and certificates of participation increased by \$205,480 (205,840)

The District received a payment of \$5,500,00 toward a loan made in a prior year to the purchaser of surplus property. The payment reduces the balance of the outstanding note. (5,500,000)

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. 12,192

Change in Net Position of Governmental Activities **\$ (8,483,408)**

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, 2019**

	CFD Debt Service Fund	ASB Funds	Total
ASSETS			
Deposits and investments	\$ 8,226,448	\$ 71,898	\$ 8,298,346
Receivables	17,538	-	17,538
Stores inventories	-	22,087	22,087
Total Assets	\$ 8,243,986	\$ 93,985	\$ 8,337,971
LIABILITIES			
Accounts payable	\$ 24,000	\$ 3,771	\$ 27,771
Due to student groups	-	90,214	90,214
Due to bond holders	8,219,986	-	8,219,986
Total Liabilities	\$ 8,243,986	\$ 93,985	\$ 8,337,971

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 - eight as mandated by the State and/or Federal agencies. The District operates five elementary schools, two K - eight 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, 2019

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 \$1,320,761.

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.

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

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

Debt Service Funds The Debt Service Funds are used to account for the accumulation of 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, 2019

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, 2019

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, 2019, 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, 2019

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 acquisition cost 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, five to 50 years; equipment, two 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.

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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 and for OPEB related items.

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.

RIO ELEMENTARY SCHOOL DISTRICT

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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, 2019, 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.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2018-2019, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

RIO ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2019

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 report \$11,418,119 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.

Change in Accounting Principles

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.

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JUNE 30, 2019

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 District has implemented the provisions of this Statement as of June 30, 2019.

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 District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 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.

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.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 43,374,899
Fiduciary funds	8,298,346
Total Deposits and Investments	<u>\$ 51,673,245</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 88,212
Cash in revolving	5,000
Investments	<u>51,580,033</u>
Total Deposits and Investments	<u><u>\$ 51,673,245</u></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, 2019

General Authorizations

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

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

Interest Rate Risk

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 Capital - Treasury Portfolio are rated AAA by Standard and Poor's rating services.

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

Investment Type	Reported Amount	Average Maturity in Days
Ventura County Treasury Investment Pool	\$ 45,717,577	192
Invesco Private Capital - Treasury Portfolio	5,862,456	14
Total	\$ 51,580,033	

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, 2019, the District's bank deposits were not exposed to custodial credit risk because they were fully insured.

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.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using	
		Level 2 Inputs	Uncategorized
Ventura County Treasury Investment Pool	\$ 45,717,577	\$ -	\$ 45,717,577
Invesco Private Capital - Treasury Portfolio	5,862,456	5,862,456	-
Total	<u>\$ 51,580,033</u>	<u>\$ 5,862,456</u>	<u>\$ 45,717,577</u>

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	\$ 1,294,762	\$ -	\$ 507,481	\$ 1,802,243	\$ -
State Government					
Categorical aid	159,670	-	31,489	191,159	-
Lottery	234,516	-	-	234,516	-
Local Sources					
Interest	112,660	199,827	123,129	435,616	17,538
Other	341,028	-	85,086	426,114	-
Total	<u>\$ 2,142,636</u>	<u>\$ 199,827</u>	<u>\$ 747,185</u>	<u>\$ 3,089,648</u>	<u>\$ 17,538</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 11,079,879	\$ -	\$ -	\$ 11,079,879
Construction in process	30,558,628	18,819,577	48,787,180	591,025
Total Capital Assets	<u>41,638,507</u>	<u>18,819,577</u>	<u>48,787,180</u>	<u>11,670,904</u>
Capital Assets Being Depreciated				
Land improvements	6,412,766	601,825	-	7,014,591
Buildings and improvements	128,473,341	52,923,618	-	181,396,959
Furniture and equipment	6,594,835	825,136	-	7,419,971
Total Capital Assets	<u>141,480,942</u>	<u>54,350,579</u>	<u>-</u>	<u>195,831,521</u>
Less Accumulated Depreciation				
Land improvements	3,229,591	339,029	-	3,568,620
Buildings and improvements	31,225,897	3,868,474	-	35,094,371
Furniture and equipment	5,156,018	621,136	-	5,777,154
Total Accumulated	<u>39,611,506</u>	<u>4,828,639</u>	<u>-</u>	<u>44,440,145</u>
Governmental Activities	<u>\$ 143,507,943</u>	<u>\$ 68,341,517</u>	<u>\$ 48,787,180</u>	<u>\$ 163,062,280</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

Instruction	\$ 3,766,412
School site administration	389,724
Home-to-school transportation	96,576
All other pupil services	96,576
Data processing	48,190
All other general administration	241,438
Plant services	289,723
Total Depreciation Expenses Governmental Activities	\$ 4,928,639

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, 2019, between major and non-major governmental funds are as follows:

Due To	Due From			
	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ 135,875	\$ 916,672	\$ 1,052,547
Building Fund	-	-	785,000	785,000
Non-Major Governmental Funds	140,343	1,361,909	1,112	1,503,364
Total	\$ 140,343	\$ 1,497,784	\$ 1,702,784	\$ 3,340,911

A balance of \$435,000 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for temporary operating loans.

A balance of \$1,361,909 is due to the Capital Facilities Non-Major Governmental Fund from the Building Fund for reimbursement of expenditures related to capital outlay projects.

A balance of \$785,000 is due to the Building Fund from the Capital Project Non-Major Governmental Fund for Blended Component Units for reimbursement of qualifying capital outlay projects.

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

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	General Fund	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ 399,450	\$ 399,450
Building Fund	-	14,735,096	14,735,096
Non-Major Governmental Funds	77,624	1,981,848	2,059,472
Total	<u>\$ 77,624</u>	<u>\$ 17,116,394</u>	<u>\$ 17,194,018</u>

The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover salary increases and for a program contribution. \$ 77,624

The Bond Interest and Redemption Non-Major Governmental Fund transferred to the General Fund bond proceeds intended for COP debt service. 399,450

The County School Facilities Non-Major Governmental Fund transferred to the Capital Facilities Non-Major Governmental Fund for RDA funds received. 1,981,848

The Capital Project Non-Major Governmental Funds for Blended Component Units transferred to the Building Fund for reimbursement of capital outlay costs. 14,735,096

Total \$ 17,194,018

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the outstanding loan receivable balance was \$1,500,000.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Activities
LCFF apportionment	\$ 1,117,484	\$ -	\$ -	\$ 1,117,484	\$ -
Salaries and benefits	378,709	-	10,770	389,479	-
Materials and supplies	130,734	-	78,156	208,890	-
Services	340,581	389,119	123,409	853,109	-
Construction	-	3,180,194	-	3,180,194	-
Due to SELPA	1,321,429	-	-	1,321,429	-
Due to local governments	99,757	-	-	99,757	-
Other	128,381	-	-	128,381	27,771
Total	\$ 3,517,075	\$ 3,569,313	\$ 212,335	\$ 7,298,723	\$ 27,771

NOTE 9 – TAX REVENUE AND ANTICIPATION NOTES (TRANS)

On July 12, 2018, the District issued \$2,080,000 of Tax and Revenue Anticipation Notes bearing interest at 3.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 28, 2019. Repayment requirements were 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 was on account by June 28, 2019. The District was not required to make any additional payments on the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2018	Additions	Payments	Outstanding June 30, 2019
7/12/2008	3.000%	6/29/2019	\$ 2,080,000	\$ -	\$ 2,080,000	\$ -

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
2014 General obligation bonds, Series A	\$ 18,855,000	\$ -	\$ -	\$ 18,855,000	\$ -
Premium on issuance	384,732	-	14,338	370,394	-
2014 General obligation bonds, Series B	18,500,000	-	-	18,500,000	-
Premium on issuance	1,157,536	-	41,839	1,115,697	-
2016 General obligation refunding bonds	9,730,000	-	695,000	9,035,000	730,000
Premium on issuance	1,750,816	-	150,070	1,600,746	-
2018 GO Bonds, Series A	-	23,000,000	-	23,000,000	-
Premium on Issuance	-	2,343,627	78,121	2,265,506	-
2018 GO Bonds, Series B	-	1,510,000	-	1,510,000	-
2016 Certificates of participation	5,300,000	-	955,000	4,345,000	-
Premium on issuance	495,566	-	98,476	397,090	-
Capital leases	1,286	-	1,286	-	-
Compensated absences	361,156	40,938	-	402,094	-
Supplemental retirement payments	54,000	2,000	-	56,000	-
Supplemental retirement PARS	556,638	-	185,546	371,092	185,546
Legal settlement	24,386	-	12,192	12,194	12,194
Net other postemployment benefits (OPEB) liability	26,226,249	-	695,730	25,530,519	-
Total	<u>\$ 83,397,365</u>	<u>\$ 26,896,565</u>	<u>\$ 2,927,598</u>	<u>\$ 107,366,332</u>	<u>\$ 927,740</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. The net other postemployment benefits (OPEB) liability are generally paid by the General Fund.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2018	Issued	Redeemed	Outstanding June 30, 2019
6/4/2015	8/1/2044	2.00-5.00%	20,000,000	\$ 18,855,000	\$ -	\$ -	\$ 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	-	695,000	9,035,000
2/28/2019	8/1/2048	4.00-5.00%	23,000,000	-	23,000,000	-	23,000,000
2/28/2019	8/1/2021	2.80-2.875%	1,510,000	-	1,510,000	-	1,510,000
				<u>\$ 47,085,000</u>	<u>\$ 24,510,000</u>	<u>\$ 695,000</u>	<u>\$ 70,900,000</u>

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, 2019, the principal outstanding was \$18,855,000, and unamortized premium received on issuance was \$370,394.

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, 2019, the principal outstanding was \$18,500,000. Unamortized premium received on issuance was \$1,115,697.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the principal balance outstanding was \$9,035,000, and unamortized premium on issuance and deferred amount on refunding were \$1,600,746 and \$210,209, respectively.

2018 General Obligation Bonds, Series A

On February 28, 2019, the Rio Elementary School District issued the 2018 General Obligation Bonds, Series A, in the amount of \$23,000,000. The Series A represents the first of a series of bonds not to exceed \$59,200,000 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 \$23,000,000. The bonds were issued at an aggregate price of \$24,959,072 (representing the principal amount of \$23,000,000 plus an original issue premium of \$2,343,627 less cost of issuance of \$384,555). The bonds have a final maturity to occur on August 1, 2048, with interest rates ranging from 4.00 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, 2019, the principal outstanding was \$23,000,000 and unamortized premium received on issuance was \$2,265,506.

2018 General Obligation Bonds, Series B

On February 28, 2019, the Rio Elementary School District issued the 2018 General Obligation Bonds, Series B, in the amount of \$1,510,000. The Series B represents the second of a series of bonds not to exceed \$59,200,000 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 \$1,510,000. The bonds were issued at an aggregate price of \$1,482,373 (representing the principal amount of \$1,510,000 less cost of issuance of \$27,627). The bonds have a final maturity to occur on August 1, 2021, with interest rates ranging from 2.800 to 2.875 percent. Proceeds from the sale of bonds was be used to finance the partial repayment of the District's outstanding 2016 Refunding Certificates of Participation. At June 30, 2019, the principal outstanding was \$1,510,000 and deferred amount on refunding was \$313,959

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Debt Service Requirements to Maturity

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 730,000	\$ 2,942,057	\$ 3,672,057
2021	2,180,000	3,015,665	5,195,665
2022	1,825,000	2,937,137	4,762,137
2023	1,575,000	2,862,925	4,437,925
2024	1,780,000	2,788,600	4,568,600
2025-2029	7,215,000	12,935,731	20,150,731
2030-2034	6,775,000	11,440,488	18,215,488
2035-2039	11,795,000	9,728,650	21,523,650
2040-2044	19,990,000	6,259,625	26,249,625
2045-2049	17,035,000	1,628,650	18,663,650
Total	<u>\$ 70,900,000</u>	<u>\$ 56,539,528</u>	<u>\$ 127,439,528</u>

2016 Refunding Certificates of Participation

On May 18, 2016, the Rio Elementary School District issued the 2016 Refunding Certificates of Participation in the amount of \$5,955,000. The refunding certificates were issued as current interest certificates. The certificates were issued at an aggregate price of \$6,224,168 (representing the principal amount of \$5,955,000 and premium of \$579,232, less cost of issuance of \$310,064). The certificates have a final maturity which occurs on March 1, 2032 with interest rates of 3.75 to 5.5 percent. Proceeds from the sale of the certificates were used to provide advance refunding of the District's 2007 Certificates of Participation in the amount of \$6,860,000. The refunding resulted in a cumulative cash flow saving of \$1,170,851 over the life of the new debt and an economic gain of \$387,296 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.38 percent. As of June 30, 2019, the principal balance outstanding was \$4,345,000, and unamortized premium on issuance deferred amount on refunding were \$397,090, and \$165,332, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	350,000	167,200	517,200
2023	355,000	153,200	508,200
2024	375,000	139,000	514,000
2025-2029	2,095,000	465,000	2,560,000
2030-2032	1,170,000	94,800	1,264,800
Total	<u>\$ 4,345,000</u>	<u>\$ 1,019,200</u>	<u>\$ 5,364,200</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$402,094.

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 did not have any outstanding capital lease liability as of June 30, 2019.

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, 2019, there were a total of two employees eligible to receive the supplemental retirement payments. The current outstanding liability to the District is \$56,000.

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:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 185,546
2021	185,546
Total	<u>\$ 371,092</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 2018-2019 fiscal year, the District has renegotiated the terms of the settlement in accordance to the following schedule:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 12,194

Net other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows or resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 25,238,309	\$ 285,409	\$ 1,296,802	\$ 1,193,996
Medicare Premium Payment (MPP) Program	292,210	-	-	(41,104)
Total	<u>\$ 25,530,519</u>	<u>\$ 285,409</u>	<u>\$ 1,296,802</u>	<u>\$ 1,152,892</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 four of GASB Statement No. 75.

Plan Membership

At June 30, 2019, 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, 2019

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.

The benefit payment 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 benefit payment is based on pay-as-you-go financing requirements as determined annually through the agreements with the District, RTA, CSEA and the unrepresented groups. For measure period ending June 30, 2018, the District paid \$412,837 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$25,238,309, was measured as of June 30, 2018, 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	3.62 percent
Healthcare cost trend rates	5.00 percent for 2018

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 actuarial assumptions used in the June 30, 2018 valuation were based on the result of an actual experience study for the period July 1, 2017 to June 30, 2018.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 25,892,935
Service cost	460,137
Interest	804,038
Changes of assumptions or other inputs	(1,505,964)
Benefit payments	(412,837)
Net change in total OPEB liability	(654,626)
Balance at June 30, 2019	<u>\$ 25,238,309</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%)	\$ 28,454,239
Current discount rate (3.13%)	25,238,309
1% increase (4.13%)	22,527,608

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%)	\$ 22,160,355
Current healthcare cost trend rate (5.00%)	25,238,309
1% increase (6.00%)	28,921,045

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OPEB Expense and Deferred Outflows of Resources, Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,193,996. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 285,409	\$ -
Changes of assumptions	-	1,296,802
Total	\$ 285,409	\$ 1,296,802

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (209,162)
2021	(209,162)
2022	(209,162)
2023	(209,162)
2024	(209,162)
Thereafter	(250,992)
	\$ (1,296,802)

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, 2017 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>.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$292,210 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.0763 percent, and 0.0792 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(41,104).

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
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, 2017, 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 our 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. 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 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (2.87%)	\$ 323,199
Current discount rate (3.87%)	292,210
1% increase (4.87%)	264,230

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 Medicare costs trend rates, 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)	\$ 266,466
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	292,210
1% increase (4.7% Part A and 5.1% Part B)	319,898

NOTE 11 - 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, 2019, of \$68,245,000.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores inventories	15,758	-	23,465	39,223
Prepaid expenditures	27,721	-	-	27,721
Total Nonspendable	48,479	-	23,465	71,944
Restricted				
Legally restricted	598,954	-	54	599,008
Capital Projects	-	22,224,628	6,206,633	28,431,261
Debt services	-	-	4,525,385	4,525,385
Total Restricted	598,954	22,224,628	10,732,072	33,555,654
Assigned				
Postemployment benefits	1,320,607	-	-	1,320,607
Deferred maintenance	154	-	-	154
Other	-	-	1,194,379	1,194,379
Total Assigned	1,320,761	-	1,194,379	2,515,140
Unassigned				
Reserve for economic uncertainties	1,859,559	-	-	1,859,559
Remaining unassigned	1,206,323	-	-	1,206,323
Total Unassigned	3,065,882	-	-	3,065,882
Total	\$ 5,034,076	\$ 22,224,628	\$ 11,949,916	\$ 39,208,620

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT

Description

The Rio Elementary School District's risk management activities are recorded in the General Fund. Employee health programs are administered by the General Fund through payments made to Self-Insured Schools of California (SISC), a public entity risk pool. The District also participates in the Ventura County Schools Self-Funding Authority public entity risk pool for the workers' compensation, property, and liability programs. Refer to Note 16 for additional information regarding the public entity risk pools.

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

Employee Medical Benefits

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, 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	\$ 39,090,215	\$ 14,573,102	\$ 2,906,146	\$ 5,748,034
CalPERS	15,855,591	4,682,270	55,629	3,420,867
Total	<u>\$ 54,945,806</u>	<u>\$ 19,255,372</u>	<u>\$ 2,961,775</u>	<u>\$ 9,168,901</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017, 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, 2019

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$4,020,468.

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

At June 30, 2019, 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	\$ 39,090,215
State's proportionate share of the net pension liability associated with the District	<u>22,380,977</u>
Total	<u><u>\$ 61,471,192</u></u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0425 percent and 0.0438 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$5,748,034. In addition, the District recognized pension expense and revenue of \$2,629,260, for support provided by the State. At June 30, 2019, 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	\$ 4,020,468	\$ -
Net change in proportionate share of net pension liability	4,358,647	833,119
Differences between projected and actual earnings on pension plan investments	-	1,505,220
Differences between expected and actual experiences in the measurement of the total pension liability	121,217	567,807
Changes of assumptions	6,072,770	-
Total	<u>\$ 14,573,102</u>	<u>\$ 2,906,146</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
2020	\$ 326,825
2021	(237,154)
2022	(1,262,821)
2023	(332,070)
Total	<u>\$ (1,505,220)</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 2,147,152
2021	2,147,152
2022	2,147,150
2023	1,621,346
2024	1,233,503
Thereafter	(144,595)
Total	<u>\$ 9,151,708</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2019

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, 2018, 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%)	\$ 57,262,591
Current discount rate (7.10%)	39,090,215
1% increase (8.10%)	24,023,552

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 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, 2019, 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%	7.00%
Required employer contribution rate	18.062%	18.062%

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above and the total District contributions were \$1,601,769.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,855,591. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0595 percent and 0.0588 percent, resulting in a net increase in the proportionate share of 0.0007 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,420,867. At June 30, 2019, 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	\$ 1,601,769	\$ -
Net change in proportionate share of net pension liability	327,905	55,629
Differences between projected and actual earnings on pension plan investments	130,052	-
Differences between expected and actual experiences in the measurement of the total pension liability	1,039,434	-
Changes of assumptions	1,583,110	-
Total	<u>\$ 4,682,270</u>	<u>\$ 55,629</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, 2019

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
2020	\$ 473,026
2021	113,119
2022	(362,508)
2023	(93,585)
Total	<u>\$ 130,052</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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 1,407,936
2021	1,114,664
2022	372,220
Total	<u>\$ 2,894,820</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Global debt securities	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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%)	\$ 23,084,982
Current discount rate (7.15%)	15,855,591
1% increase (8.15%)	9,857,776

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 \$2,427,899 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

RIO ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) and the Self-Insured Schools of California (SISC) public entity risk pools. The District pays an annual premium to VCSSFA and SISC for its workers' compensation and property liability coverage, and health benefits, respectively. The relationships between the District and the pools 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, 2019, the District made payments of \$353,265, and \$6,982,088, to VCSSFA and SISC, respectively, for services received.



REQUIRED SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 50,825,484	\$ 51,939,165	\$ 52,056,823	\$ 117,658
Federal sources	2,439,892	2,672,542	2,827,358	154,816
Other State sources	2,195,525	3,583,365	7,607,155	4,023,790
Other local sources	2,745,243	2,948,074	3,168,380	220,306
Total Revenues ¹	58,206,144	61,143,146	65,659,716	4,516,570
EXPENDITURES				
Current				
Certificated salaries	24,003,944	24,863,861	25,543,698	(679,837)
Classified salaries	7,232,696	7,845,412	8,595,896	(750,484)
Employee benefits	14,381,549	14,679,923	18,444,747	(3,764,824)
Books and supplies	2,461,476	2,891,435	2,552,877	338,558
Services and operating expenditures	6,420,116	7,694,116	8,102,057	(407,941)
Capital outlay	360,812	609,639	329,458	280,181
Other outgo	2,732,823	2,387,924	2,356,862	31,062
Debt service - principal	300,000	-	300,000	(300,000)
Debt service - interest	198,900	99,450	246,360	(146,910)
Total Expenditures ¹	58,092,316	61,071,760	66,471,955	(5,400,195)
Excess (Deficiency) of Revenues Over Expenditures	113,828	71,386	(812,239)	(883,625)
Other Financing Sources (Uses)				
Transfers in	97,021	615,548	399,450	(216,098)
Transfers out	-	(76,914)	(77,624)	(710)
Net Financing Sources (Uses)	97,021	538,634	321,826	(216,808)
NET CHANGE IN FUND BALANCE	210,849	610,020	(490,413)	(1,100,433)
Fund Balance - Beginning	5,524,489	5,524,489	5,524,489	-
Fund Balance - Ending	\$ 5,735,338	\$ 6,134,509	\$ 5,034,076	\$ (1,100,433)

¹ On behalf payments of \$2,427,899 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 11, Adult Education Fund/Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, 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. On behalf payments of \$1,677,851 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 460,137	\$ 446,171
Interest	804,038	779,814
Changes of assumptions	(1,505,964)	-
Benefit payments	<u>(412,837)</u>	<u>(490,717)</u>
Net change in total OPEB liability	(654,626)	735,268
Total OPEB liability - beginning	25,892,935	25,157,667
Total OPEB liability - ending	<u><u>\$ 25,238,309</u></u>	<u><u>\$ 25,892,935</u></u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>

¹ 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, 2019**

Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0763%</u>	<u>0.0792%</u>
District's proportionate share of the net OPEB liability	<u>\$ 292,210</u>	<u>\$ 333,314</u>
District's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

¹ 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, 2019

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0425%</u>	<u>0.0438%</u>
District's proportionate share of the net pension liability	\$ 39,090,215	\$ 40,470,585
State's proportionate share of the net pension liability associated with the District	<u>22,380,977</u>	<u>23,942,056</u>
Total	<u><u>\$ 61,471,192</u></u>	<u><u>\$ 64,412,641</u></u>
District's covered payroll	<u>\$ 23,190,353</u>	<u>\$ 21,335,533</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>168.56%</u>	<u>189.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0595%</u>	<u>0.0588%</u>
District's proportionate share of the net pension liability	<u>\$ 15,855,591</u>	<u>\$ 14,046,057</u>
District's covered payroll	<u>\$ 7,853,371</u>	<u>\$ 7,453,420</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>201.90%</u>	<u>188.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0425%</u>	<u>0.0381%</u>	<u>0.0323%</u>
\$ 34,362,794	\$ 25,663,257	\$ 18,873,130
<u>19,562,126</u>	<u>13,573,034</u>	<u>11,396,411</u>
<u>\$ 53,924,920</u>	<u>\$ 39,236,291</u>	<u>\$ 30,269,541</u>
<u>\$ 21,466,618</u>	<u>\$ 17,692,838</u>	<u>\$ 16,207,657</u>
<u>160.08%</u>	<u>145.05%</u>	<u>116.45%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.0595%</u>	<u>0.0528%</u>	<u>0.0493%</u>
\$ 11,755,335	\$ 7,778,797	\$ 5,599,658
\$ 7,310,632	\$ 5,666,366	\$ 5,185,512
<u>160.80%</u>	<u>137.28%</u>	<u>107.99%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 4,020,468	\$ 3,346,368
Contributions in relation to the contractually required contribution	<u>(4,020,468)</u>	<u>(3,346,368)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 24,695,749</u>	<u>\$ 23,190,353</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 1,601,769	\$ 1,219,707
Contributions in relation to the contractually required contribution	<u>(1,601,769)</u>	<u>(1,219,707)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 8,868,171</u>	<u>\$ 7,853,371</u>
Contributions as a percentage of covered payroll	<u>18.06%</u>	<u>15.53%</u>

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 2,684,010	\$ 2,302,249	\$ 1,571,124
<u>(2,684,010)</u>	<u>(2,302,249)</u>	<u>(1,571,124)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,335,533	\$ 21,466,618	\$ 17,692,838
<u>12.58%</u>	<u>10.72%</u>	<u>8.88%</u>

\$ 1,035,131	\$ 865,950	\$ 666,988
<u>(1,035,131)</u>	<u>(865,950)</u>	<u>(666,988)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,453,420	\$ 7,310,632	\$ 5,666,366
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 States 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, 2019, the following District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual	Excess
General Fund	<u>\$ 61,071,760</u>	<u>\$ 66,471,955</u>	<u>\$ 5,400,195</u>

The General Fund expenditures include \$4,105,750 in contributions to CalSTRS and CalPERS 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 – The plan rate of investment return assumption was changed from 3.13 percent to 3.62 percent since the previous valuation.

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 3.58 percent to 3.87 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 – There were no changes in economic assumptions for either CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
Title I, Part A - Low Income and Neglected	84.010	14329	\$ 924,690
Title II, Part A - Supporting Effective Instruction	84.367	14341	136,651
English Language Acquisition Program			
Title III, Part A - Immigrant Student Program	84.365	15146	4,689
Title III, Part A - English Learner Student Program	84.365	14346	331,657
Subtotal English Language Acquisition Program			<u>336,346</u>
Title IV, Part A - Student Support and Academic Enrichment	84.424	15396	21,386
Passed through Ventura County Office of Education SELPA			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	976,895
Preschool Grant, Part B	84.173	13430	36,582
Subtotal Special Education (IDEA) Cluster			<u>1,013,477</u>
Total U.S. Department of Education			<u>2,432,550</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	126,094
Medi-Cal Administrative Activities	93.778	10060	188,745
Subtotal Medicaid Cluster			<u>314,839</u>
Total U.S. Department of Health and Human Services			<u>314,839</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,662,211
Basic Breakfast Program	10.553	13525	30,632
Especially Needy Breakfast Program	10.553	13526	594,315
Commodities	10.555	13396	254,670
Summer Food Service Program	10.559	13004	84,091
Subtotal Child Nutrition Cluster			<u>2,625,919</u>
Child and Adult Care Food Program	10.558	13393	435,252
Total U.S. Department of Agriculture			<u>3,061,171</u>
Total Federal Programs			<u>\$ 5,808,560</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Rio Elementary School District was established in 1885 and consists of an area comprising approximately 40 square miles. The District operates five elementary schools two K to 8 schools, and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Joe Esquivel	President	2020
Linda Aguilar	Clerk	2022
Felix Eisenhower	Member	2020
Edith Martinez-Cortez	Member	2022
Eleanor Torres	Member	2022

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, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,227.02	2,225.31
Fourth through sixth	1,680.08	1,677.68
Seventh and eighth	1,107.91	1,105.53
Total Regular ADA	<u>5,015.01</u>	<u>5,008.52</u>
Extended Year Special Education		
Transitional kindergarten through third	5.69	5.69
Fourth through sixth	5.23	5.23
Seventh and eighth	1.65	1.65
Total Extended Year Special Education	<u>12.57</u>	<u>12.57</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.37	0.88
Seventh and eighth	0.92	0.92
Total Special Education, Nonpublic, Nonsectarian Schools	<u>2.29</u>	<u>1.80</u>
 Total ADA	 <u>5,029.87</u>	 <u>5,022.89</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			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, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND ³				
Revenues	\$ 61,182,092	\$ 61,428,126	\$ 57,843,945	\$ 58,458,384
Other sources and transfers in	654,636	662,822	1,001,967	95,046
Total Revenues and Other Sources	61,836,728	62,090,948	58,845,912	58,553,430
Expenditures	61,875,090	61,952,605	57,650,929	59,940,500
Other uses and transfers out	139,523	32,667	285,833	427,108
Total Expenditures and Other Uses	62,014,613	61,985,272	57,936,762	60,367,608
INCREASE (DECREASE) IN FUND BALANCE	\$ (177,885)	\$ 105,676	\$ 909,150	\$ (1,814,178)
ENDING FUND BALANCE	\$ 3,535,430	\$ 3,713,315	\$ 3,607,639	\$ 2,698,489
AVAILABLE RESERVES ²	\$ 2,858,782	\$ 3,065,882	\$ 2,125,454	\$ 1,825,831
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ⁴	4.61%	5.30%	3.82%	3.13%
LONG-TERM OBLIGATIONS	N/A	\$107,366,332	\$83,397,365	\$ 92,823,989
ATTENDANCE AT P-2	5,107	5,030	4,913	4,966

The General Fund balance has increased by \$1,014,826 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$177,885 (4.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$14,542,343 over the past two years.

Average daily attendance has increased by 64 over the past two years. An additional increase of 77 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

⁴ On behalf payments of \$4,105,750, \$2,233,904, and \$2,012,990, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019, 2018, and 2017.

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 106,111	\$ 1,897,164	\$ 829,045
Receivables	627,204	14,896	17,088
Due from other funds	141,455	1,361,909	-
Prepaid expenses	-	1,500	-
Stores inventories	23,465	-	-
Total Assets	\$ 898,235	\$ 3,275,469	\$ 846,133
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 176,879	\$ 17,093	\$ -
Due to other funds	678,709	215,599	-
Unearned revenue	19,128	-	-
Total Liabilities	874,716	232,692	-
Fund Balances:			
Nonspendable	23,465	-	-
Restricted	54	3,042,777	846,133
Assigned	-	-	-
Total Fund Balances	23,519	3,042,777	846,133
Total Liabilities and Fund Balances	\$ 898,235	\$ 3,275,469	\$ 846,133

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,204,480	\$ 3,079,401	\$ 4,492,448	\$ 11,608,649
8,262	46,798	32,937	747,185
-	-	-	1,503,364
-	-	-	1,500
-	-	-	23,465
<u>\$ 1,212,742</u>	<u>\$ 3,126,199</u>	<u>\$ 4,525,385</u>	<u>\$ 13,884,163</u>
\$ 18,363	\$ -	\$ -	\$ 212,335
-	808,476	-	1,702,784
-	-	-	19,128
<u>18,363</u>	<u>808,476</u>	<u>-</u>	<u>1,934,247</u>
-	-	-	23,465
-	2,317,723	4,525,385	10,732,072
1,194,379	-	-	1,194,379
<u>1,194,379</u>	<u>2,317,723</u>	<u>4,525,385</u>	<u>11,949,916</u>
<u>\$ 1,212,742</u>	<u>\$ 3,126,199</u>	<u>\$ 4,525,385</u>	<u>\$ 13,884,163</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	\$ 3,061,171	\$ -	\$ -
Other State sources	184,633	-	-
Other local sources	472,658	532,486	62,334
Total Revenues	<u>3,718,462</u>	<u>532,486</u>	<u>62,334</u>
EXPENDITURES			
Current			
Pupil services:			
Food services	3,706,884	-	-
Administration:			
All other administration	64,542	61,324	-
Plant services	-	136,964	-
Facility acquisition and construction	-	216,112	-
Other outgo	-	-	-
Enterprise services	2,850	-	-
Debt service			
Principal	1,286	-	-
Interest and other	9	-	-
Total Expenditures	<u>3,775,571</u>	<u>414,400</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,109)</u>	<u>118,086</u>	<u>62,334</u>
Other Financing Sources			
Transfers in	77,624	1,981,848	-
Other sources - proceeds from issuance of general obligation bonds	-	-	-
Other sources - premium on issuance of general obligation bonds	-	-	-
Transfers out	-	-	(1,981,848)
Other uses - payment to refunded certificates of participation escrow agent	-	-	-
Net Financing Sources (Uses)	<u>77,624</u>	<u>1,981,848</u>	<u>(1,981,848)</u>
NET CHANGE IN FUND BALANCES	20,515	2,099,934	(1,919,514)
Fund Balances - Beginning	3,004	942,843	2,765,647
Fund Balances - Ending	<u>\$ 23,519</u>	<u>\$ 3,042,777</u>	<u>\$ 846,133</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 3,061,171
-	-	12,721	197,354
5,510,841	872,631	2,744,572	10,195,522
<u>5,510,841</u>	<u>872,631</u>	<u>2,757,293</u>	<u>13,454,047</u>
-	-	-	3,706,884
-	-	-	125,866
-	338,478	-	475,442
4,316,462	716,931	-	5,249,505
-	-	27,627	27,627
-	-	-	2,850
-	-	695,000	696,286
-	-	2,371,530	2,371,539
<u>4,316,462</u>	<u>1,055,409</u>	<u>3,094,157</u>	<u>12,655,999</u>
<u>1,194,379</u>	<u>(182,778)</u>	<u>(336,864)</u>	<u>798,048</u>
-	-	-	2,059,472
-	-	1,510,000	1,510,000
-	-	2,343,627	2,343,627
-	(14,735,096)	(399,450)	(17,116,394)
-	-	(1,066,687)	(1,066,687)
-	(14,735,096)	2,387,490	(12,269,982)
1,194,379	(14,917,874)	2,050,626	(11,471,934)
-	17,235,597	2,474,759	23,421,850
<u>\$ 1,194,379</u>	<u>\$ 2,317,723</u>	<u>\$ 4,525,385</u>	<u>\$ 11,949,916</u>

See accompanying note to supplementary information.

RIO ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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. No Federal awards were provided to subrecipients.

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, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 5,888,529
Medi-Cal Billing Option	93.778	<u>(79,969)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,808,560</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 has met 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, 2019

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.



INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Rio Elementary School District
Oxnard, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Elementary School District (the District) as of and for the year ended June 30, 2019, 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 16, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rio Elementary School District in a separate letter dated December 16, 2019.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 16, 2019



**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, 2019. 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, 2019.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019



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 *2018-2019 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, 2019.

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 *2018-2019 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.

Unmodified Opinion

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, 2019.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
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
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-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; therefore, we did not perform procedures related to the Independent Study Program.

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education 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 offer 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 District of Choice Program; therefore, we did not perform any procedures for the District of Choice 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 Independent Study – Course Based program; therefore, we did not perform any procedures related to 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIO ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>84.010</u>	<u>Title I, Part A, Low Income and Neglected</u>
<u>84.365</u>	<u>English Language Acquisition 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>
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RIO ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RIO ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RIO ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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 Findings and Questioned Costs.

Financial Statement Findings

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 four years. The District recorded ended the year with an inter-fund payable balance of \$1,030,000 and this represents approximately 28.9 percent 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.

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.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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.

Current Status

Implemented.

State Awards Findings

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 October 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.

RIO ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

Current Status

Implemented



Management
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, 2019, 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 16, 2019, on the basic financial statements of Rio Elementary School District.

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

INTERNAL CONTROL

District Office

Observation

Purchase order approval in advance of expenditures taking place demonstrates that expenditures are appropriate, planned and included in the budget. A total of three general disbursements selected for testing were not approved prior to the invoice or activity date. 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

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

Management
Rio Elementary School District

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 del Valle Middle School

Revenue Potential

Observation

Two revenue potential forms reviewed were not completed.

Recommendation

All fundraising events should be approved by the ASB Student Council and the site administrator prior to the event's 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019