



**RIO ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**



# RIO ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2013

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' 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, 2013, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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.

## **Opinion**

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information such as management's discussion and analysis on pages 5 through 13, and the budgetary comparison information and schedule of other postemployment benefits funding progress on pages 52 and 53, 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 Schedule of Expenditures of Federal Awards, as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and 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 as listed in the table of contents 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, accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Rio Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Elementary School District's internal control over financial reporting and compliance.

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California  
December 16, 2013



**Board of Trustees**  
Ramon Rodriguez, President  
Matt Klinefelter, Clerk  
Celia Robles  
Eleanor Torres  
Henrietta Macias

**Superintendent**  
John Puglisi Ph.D

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This section of Rio Elementary School District's (the District) 2012-2013 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013, with comparative information for 2011-2012. 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 three categories of activities: governmental, proprietary and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### REPORTING THE DISTRICT AS A WHOLE

#### *The Statement of Net Position and the Statement of Activities*

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, 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.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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**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.

**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities. The District has no internal service funds.

### 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 employee retiree benefits. 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, 2013

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### THE DISTRICT AS A WHOLE

#### *Net Position*

The District's net position was \$73.5 million for the fiscal year ended June 30, 2013. Of this amount, (\$4.4) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and changes in the net position (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and other assets	\$ 22.2	\$ 24.1
Capital assets	99.4	101.2
<b>Total Assets</b>	<b>121.6</b>	<b>125.3</b>
<b>Liabilities</b>		
Current liabilities	9.3	9.9
Long-term obligations	38.8	39.4
<b>Total Liabilities</b>	<b>48.1</b>	<b>49.3</b>
<b>Net Position</b>		
Net investment in capital assets	73.4	74.0
Restricted	4.5	4.8
Unrestricted	(4.4)	(2.8)
<b>Total Net Position</b>	<b>\$ 73.5</b>	<b>\$ 76.0</b>

The (\$4.4) million in unrestricted net position of governmental activities represent the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (bonds as an example); we would have (\$4.4) million remaining.

**RIO ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**Changes in Net Position**

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

**Table 2**

(Amounts in millions)	Governmental Activities	
	2013	2012
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 0.4	\$ 0.4
Operating grants and contributions	10.7	10.2
Capital grants and contributions	0.3	0.9
General revenues:		
Federal and State aid not restricted	17.5	18.2
Property taxes	10.6	11.2
Other general revenues	0.9	0.8
<b>Total Revenues</b>	<b>40.4</b>	<b>41.7</b>
<b>Expenses</b>		
Instruction-related	28.0	27.8
Student support services	5.4	4.8
Administration	3.3	6.8
Plant services	3.4	4.9
Other	2.7	2.5
<b>Total Expenses</b>	<b>42.8</b>	<b>46.8</b>
<b>Change in Net Position</b>	<b>\$ (2.4)</b>	<b>\$ (5.1)</b>

**Governmental Activities**

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$42.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$10.6 million (levied for general purposes and for debt service) because the cost was paid by those who benefited from the programs was \$0.4 million, and by other governments and organizations who subsidized certain programs with grants and contributions was \$10.7 million. We paid for the remaining "public benefit" portion of our governmental activities with \$17.5 million in unrestricted Federal and State funds, and \$0.9 million in interest and investment earnings and other revenues.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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

**Table 3**

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 23.7	\$ 23.8	\$ 18.9	\$ 17.6
Instruction-related activities	4.3	4.0	3.3	3.3
Student support services	5.4	4.8	1.9	1.5
Administration	3.3	6.8	3.0	6.4
Plant services	3.4	4.9	3.3	4.9
Other	2.7	2.5	1.1	1.6
<b>Total</b>	<b>\$ 42.8</b>	<b>\$ 46.8</b>	<b>\$ 31.5</b>	<b>\$ 35.3</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$13 million, which is a decrease of \$1.1 million over last year.

**Table 4**

	Balances and Activity			
	July 1, 2012	Revenues	Expenditures	June 30, 2013
General Fund	\$ 9,354,353	\$ 35,056,548	\$ 35,938,804	\$ 8,472,097
Capital Facilities Fund	1,134,355	1,806,260	1,172,379	1,768,236
County Schools Facilities Fund	928,061	264,984	132,841	1,060,204
Cafeteria Fund	795,130	2,812,179	3,136,841	470,468
Building Fund	687,416	296,107	972,344	11,179
CFD Capital Projects	7,491	491,179	492,953	5,717
Bond Interest and Redemption Fund	1,233,566	1,261,820	1,304,581	1,190,805
<b>Total</b>	<b>\$ 14,140,372</b>	<b>\$ 41,989,077</b>	<b>\$ 43,150,743</b>	<b>\$ 12,978,706</b>

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on August 21, 2013. (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 52).

1. Revenue limit sources variances can be attributed to higher than anticipated student enrollment in 2012-2013, and higher daily student attendance than previously estimated. The increase in other State revenue is primarily attributable to recognizing CalSTRS on behalf payment of \$734,141 in actual State revenues, but was not included in the budgeted amounts.
2. The majority of the variance in reporting employee benefits are attributable to recognizing CalSTRS on-behalf payment of \$735,141 in actual revenues and expenditures, but were not included in the budgeted amounts. Overall actual year-end expenditures were less than budgeted due to several factors including freezing many vacant positions during the school year. 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, 2013, the District had \$99.4 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1.7 million, or 1.7 percent, from last year (Table 5).

**Table 5**

(Amounts in millions)

	Governmental Activities	
	2013	2012
Land	\$ 11.1	\$ 11.1
Construction in progress	1.9	1.4
Buildings and improvements	85.4	87.5
Equipment	1.0	1.1
<b>Total</b>	<b>\$ 99.4</b>	<b>\$ 101.1</b>

This year saw little change in the District's Capital Assets.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### Long-Term Obligations

At the end of this year, the District had \$38.8 million in long-term obligations outstanding versus \$39.4 million last year, a decrease of 1.4 percent. The long-term obligations consisted of:

**Table 6**

(Amounts in millions)	Governmental Activities	
	2013	2012
General obligation bonds	\$ 14.7	\$ 15.3
Premium on issuance	0.6	0.6
Certificates of participation	7.4	7.7
Lease purchase agreement	3.3	3.6
Compensated absences	0.2	0.2
Supplemental retirement payments	0.1	0.1
Early retirement incentive	-	0.1
Legal settlement	0.1	0.1
Litigation	9.3	9.3
Other postemployment benefits (OPEB)	3.1	2.4
<b>Total</b>	<b>\$ 38.8</b>	<b>\$ 39.4</b>

The District's general obligation bond rating for the last bond sale in August 2007 was "AAA". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$14.7 million is below the statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (other than health benefits), and other long-term obligations. Litigation obligations are a result of an adverse ruling on the payment opposing counsel's legal fees by the District in the on-going FTR lawsuit. More detailed information regarding long-term obligations is reported in the financial statements.

# RIO ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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

In considering the District budget for the 2013-2014 year, the governing board and management used the following criteria:

1. The District continues to experience student enrollment growth providing increases in State Revenue Limit funding.
2. Changes in the LCFF/Revenue Limit for 2013-2014 include a significant increase for the District in the first year implementation of the LCFF plus a projected enrollment growth of 80 students.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	30:1	2,271
Grades four through eight	32:1	2,537

### 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 Director of Fiscal Services, at Rio School District, 2500 Vineyard Avenue, Oxnard, California, 93036, or e-mail at [mnudd@rioschools.org](mailto:mnudd@rioschools.org).

# RIO ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2013

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 14,761,174
Receivables	6,938,944
Prepaid expenses	4,850
Stores inventories	90,864
Deferred cost of issuance	421,648
Capital assets	
Land and construction in process	12,970,404
Other capital assets	112,045,793
Less: accumulated depreciation	<u>(25,620,114)</u>
Total Capital Assets	<u>99,396,083</u>
<b>Total Assets</b>	<b><u>121,613,563</u></b>
<b>LIABILITIES</b>	
Accounts payable	5,269,920
Accrued interest payable	432,384
Deferred revenue	73,206
Current loans	3,474,000
Long-term obligations	
Current portion of long-term obligations	1,295,809
Noncurrent portion of long-term obligations	<u>37,506,331</u>
Total Long-Term Obligations	<u>38,802,140</u>
<b>Total Liabilities</b>	<b><u>48,051,650</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	73,402,393
Restricted for:	
Debt service	758,421
Capital projects	2,834,157
Educational programs	505,559
Child Nutrition program	470,468
Unrestricted deficit	<u>(4,409,085)</u>
<b>Total Net Position</b>	<b><u>\$ 73,561,913</u></b>

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

# RIO ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 23,968,826	\$ 40,534	\$ 4,812,556	\$ 260,000	\$ (18,855,736)
Instruction-related activities:					
Supervision of instruction	1,106,162	4,647	529,544	-	(571,971)
Instructional library, media, and technology	435,457	-	56,093	-	(379,364)
School site administration	2,479,044	-	143,750	-	(2,335,294)
Pupil services:					
Home-to-school transportation	733,446	-	156,464	-	(576,982)
Food services	3,008,402	228,576	2,085,915	-	(693,911)
All other pupil services	1,677,328	15,284	1,037,310	-	(624,734)
Administration:					
Data processing	324,278	-	5,120	-	(319,158)
All other administration	2,944,292	12,481	297,619	-	(2,634,192)
Plant services	3,383,900	2,297	33,406	-	(3,348,197)
Ancillary services	18,366	398	4,592	-	(13,376)
Community services	1,287	-	-	-	(1,287)
Interest on long-term obligations	1,278,582	-	-	-	(1,278,582)
Other outgo	1,480,305	89,291	1,563,528	-	172,514
<b>Total Governmental Activities</b>	<b>\$ 42,839,675</b>	<b>\$ 393,508</b>	<b>\$ 10,725,897</b>	<b>\$ 260,000</b>	<b>(31,460,270)</b>

### General Revenues and Subventions:

Property taxes, levied for general purposes	9,003,618
Property taxes, levied for debt service	1,253,883
Taxes levied for other specific purposes	372,603
Federal and State aid not restricted to specific purposes	17,543,054
Interest and investment earnings	74,502
Miscellaneous	805,504
<b>Subtotal, General Revenues</b>	<b>29,053,164</b>
<b>Change in Net Position</b>	<b>(2,407,106)</b>
Net Position - Beginning	75,969,019
Net Position - Ending	<b>\$ 73,561,913</b>

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 8,862,624	\$ 3,179,588	\$ 1,039,849
Receivables	6,409,427	1,279	32,223
Due from other funds	237,009	586,105	1,956,515
Prepaid expenditures	4,850	-	-
Stores inventories	68,025	-	-
<b>Total Assets</b>	<b>\$ 15,581,935</b>	<b>\$ 3,766,972</b>	<b>\$ 3,028,587</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,976,192	\$ 42,221	\$ 1,968,383
Due to other funds	586,440	1,956,515	-
Other current liabilities	3,474,000	-	-
Deferred revenue	73,206	-	-
<b>Total Liabilities</b>	<b>7,109,838</b>	<b>1,998,736</b>	<b>1,968,383</b>
<b>Fund Balances:</b>			
Nonspendable	77,875	-	-
Restricted	505,559	1,768,236	1,060,204
Committed	272,383	-	-
Assigned	4,803,431	-	-
Unassigned	2,812,849	-	-
<b>Total Fund Balances</b>	<b>8,472,097</b>	<b>1,768,236</b>	<b>1,060,204</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,581,935</b>	<b>\$ 3,766,972</b>	<b>\$ 3,028,587</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,679,113	\$ 14,761,174
496,015	6,938,944
335	2,779,964
-	4,850
22,839	90,864
<u>\$ 2,198,302</u>	<u>\$ 24,575,796</u>
\$ 283,124	\$ 5,269,920
237,009	2,779,964
-	3,474,000
-	73,206
<u>520,133</u>	<u>11,597,090</u>
22,839	100,714
1,644,151	4,978,150
-	272,383
11,179	4,814,610
-	2,812,849
<u>1,678,169</u>	<u>12,978,706</u>
<u>\$ 2,198,302</u>	<u>\$ 24,575,796</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 12,978,706</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported as assets in the governmental funds.	
The cost of capital assets is	\$ 125,016,197
Accumulated depreciation is	<u>(25,620,114)</u>
Net Capital Assets	99,396,083
Expenditures relating to issuance of debt were recognized in the modified accrual basis in the governmental funds but are not recognized in accrual basis in the government-wide financial statements.	
	421,648
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.	
	(432,384)
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	(14,675,000)
Certificates of participation	(7,420,000)
Unamortized premium	(594,687)
Compensated absences	(213,096)
Capital lease obligation	(14,501)
Supplement retirement payments	(102,000)
Legal settlement	(93,787)
Litigation	(9,293,417)
Lease purchase agreement	(3,295,219)
Other postemployment benefits	<u>(3,100,433)</u>
Total Long-Term Obligations	(38,802,140)
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ 73,561,913</u></u></b>

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 FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
<b>REVENUES</b>			
Revenue limit sources	\$ 23,162,457	\$ -	\$ -
Federal sources	2,073,466	-	-
Other State sources	6,637,393	-	260,000
Other local sources	3,183,232	249,752	4,984
<b>Total Revenues</b>	<u>35,056,548</u>	<u>249,752</u>	<u>264,984</u>
<b>EXPENDITURES</b>			
Current			
Instruction	21,638,318	-	-
Instruction-related activities:			
Supervision of instruction	1,083,251	-	-
Instructional library, media and technology	427,091	-	-
School site administration	2,281,099	-	-
Pupil services:			
Home-to-school transportation	674,178	-	-
Food services	-	-	-
All other pupil services	1,598,922	-	-
Administration:			
Data processing	297,102	-	-
All other administration	2,769,186	-	-
Plant services	2,928,835	49,911	3,090
Facility acquisition and construction	26,942	535,112	129,751
Ancillary services	17,841	-	-
Community services	1,287	-	-
Other outgo	1,480,305	-	-
Debt service			
Principal	16,047	260,000	-
Interest and other	111,043	327,356	-
<b>Total Expenditures</b>	<u>35,351,447</u>	<u>1,172,379</u>	<u>132,841</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<u>(294,899)</u>	<u>(922,627)</u>	<u>132,143</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,556,508	-
Transfers out	(587,357)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(587,357)</u>	<u>1,556,508</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(882,256)</u>	<u>633,881</u>	<u>132,143</u>
<b>Fund Balances - Beginning</b>	<u>9,354,353</u>	<u>1,134,355</u>	<u>928,061</u>
<b>Fund Balances - Ending</b>	<u>\$ 8,472,097</u>	<u>\$ 1,768,236</u>	<u>\$ 1,060,204</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 23,162,457
2,373,763	4,447,229
202,455	7,099,848
2,285,067	5,723,035
<u>4,861,285</u>	<u>40,432,569</u>
-	21,638,318
-	1,083,251
-	427,091
-	2,281,099
-	674,178
2,981,354	2,981,354
-	1,598,922
-	297,102
123,550	2,892,736
10,197	2,992,033
24,933	716,738
-	17,841
-	1,287
-	1,480,305
925,049	1,201,096
872,485	1,310,884
<u>4,937,568</u>	<u>41,594,235</u>
<u>(76,283)</u>	<u>(1,161,666)</u>
-	1,556,508
<u>(969,151)</u>	<u>(1,556,508)</u>
<u>(969,151)</u>	-
(1,045,434)	(1,161,666)
2,723,603	14,140,372
<u>\$ 1,678,169</u>	<u>\$ 12,978,706</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (1,161,666)**

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and are allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	\$ (2,358,904)	
Capital outlays	<u>530,175</u>	
		(1,828,729)

In the Statement of Activities, certain operating expenses - compensated absences (vacations), early retirement incentive and special termination benefits (cash in lieu of medical benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences used was more than amounts earned by \$2,379. Early retirement incentive used was more than the amount offered by \$101,250. Special termination benefits earned was more than the amount used by \$4,000. 99,629

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	605,000	
Capital lease obligation	11,047	
Certificates of participation	260,000	
Lease purchase agreement	<u>325,049</u>	
Combined adjustment		1,201,096

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	34,722	
Amortization of cost of issuance	<u>(23,493)</u>	
Combined adjustment		11,229

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, 2013**

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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest on the general obligation bonds, certificates of participation, and municipal lease decreased by \$21,073.	\$ 21,073
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as expense. The actual amount of the contribution was less than the annual required contribution.	(754,738)
The District reached a settlement agreement during the 2005-2006 fiscal year. The agreement includes payments that will be made over a five-year period. 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.	<u>5,000</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (2,407,106)</u></u></b>

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, 2013**

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	<b>CFD Debt Service Fund</b>	<b>ASB Funds</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Deposits and investments	\$ 4,697,430	\$ 33,816	\$ 4,731,246
Receivables	1,341	-	1,341
<b>Total Assets</b>	<u><u>\$ 4,698,771</u></u>	<u><u>\$ 33,816</u></u>	<u><u>\$ 4,732,587</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 82,809	\$ -	\$ 82,809
Due to student groups	-	33,816	33,816
Due to bond holders	4,615,962	-	4,615,962
<b>Total Liabilities</b>	<u><u>\$ 4,698,771</u></u>	<u><u>\$ 33,816</u></u>	<u><u>\$ 4,732,587</u></u>

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Component Units

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

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

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

Special tax bonds issued by the CFD are not included as long-term liabilities in the government-wide financial statements as they are not obligations of the District. 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 three broad fund categories: governmental, proprietary, and fiduciary.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

### Major Governmental Funds

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

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

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

As a result, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$5,770,181, \$4,803,431, \$164,071, and \$969,367, respectively.

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Non-Major Governmental Funds

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

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

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

**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.

**CFD Capital Projects Fund** The CFD Capital Projects Fund is used to account for the capital projects financed by the Rio Elementary School District Community Facilities District No. 1.

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

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

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

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

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **Basis of Accounting - Measurement Focus**

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

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

Net position should be reported as restricted when constraints placed on net asset use 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 net asset 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, 2013

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

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

**Deferred Revenue** Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Investments**

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

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

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

### **Interfund Balances**

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

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Deferred Issuance Costs, Premiums, and Discounts**

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

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2013, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Fund Balances - Governmental Funds

As of June 30, 2013, 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 action as approved by the governing board.

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports \$4,568,605 of restricted net position.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Interfund Activity

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

### Estimates

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

### Budgetary Data

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

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

### Property Tax

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

### New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

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

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

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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

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

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

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 14,761,174
Fiduciary funds	4,731,246
Total Deposits and Investments	<u>\$ 19,492,420</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 45,202
Cash in revolving	5,000
Investments	19,442,218
Total Deposits and Investments	<u>\$ 19,492,420</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Policies and Practices

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

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

### General Authorizations

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

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

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**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 manages its exposure to interest rate risk by investing in the County pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

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

Investment Type	Reported Amount	Fair Value	Weighted Average Maturity in Days
Ventura County Investment Pool	\$ 14,295,844	\$ 14,269,836	276
Fidelity Institutional Money Market Treasury Portfolio - Class I	1,788,749	1,788,749	45
Invesco Short-Term Treasury Portfolio	3,357,625	3,357,625	27
Total	\$ 19,442,218	\$ 19,416,210	

**Credit Risk**

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

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank deposits were not exposed to custodial credit risk because they were fully insured.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Fiduciary Fund
Federal Government						
Categorical aid	\$ 829,202	\$ -	\$ -	\$ 436,095	\$ 1,265,297	\$ -
State Government						
Apportionment	112,574	-	-	56,818	169,392	-
Categorical aid	3,004,943	-	-	-	3,004,943	-
Lottery	395,319	-	-	-	395,319	-
Special education	656,021	-	-	-	656,021	-
Class size reduction	536,035	-	-	-	536,035	-
Local Sources						
Interest	13,361	1,279	55	3,102	17,797	1,341
Ventura county	-	-	-	-	-	-
Other	861,972	-	32,168	-	894,140	-
Total	<u>\$ 6,409,427</u>	<u>\$ 1,279</u>	<u>\$ 32,223</u>	<u>\$ 496,015</u>	<u>\$ 6,938,944</u>	<u>\$ 1,341</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 11,107,629	\$ -	\$ -	\$ 11,107,629
Construction in process	1,441,558	421,217	-	1,862,775
Total Capital Assets Not Being Depreciated	<u>12,549,187</u>	<u>421,217</u>	<u>-</u>	<u>12,970,404</u>
Capital Assets Being Depreciated				
Land improvements	2,755,573	-	-	2,755,573
Buildings and improvements	104,756,950	77,656	-	104,834,606
Furniture and equipment	4,424,312	31,302	-	4,455,614
Total Capital Assets Being Depreciated	<u>111,936,835</u>	<u>108,958</u>	<u>-</u>	<u>112,045,793</u>
Less Accumulated Depreciation				
Land improvements	2,123,770	64,741	-	2,188,511
Buildings and improvements	17,853,326	2,083,950	-	19,937,276
Furniture and equipment	3,284,114	210,213	-	3,494,327
Total Accumulated Depreciation	<u>23,261,210</u>	<u>2,358,904</u>	<u>-</u>	<u>25,620,114</u>
Governmental Activities Capital Assets, Net	<u>\$ 101,224,812</u>	<u>\$ (1,828,729)</u>	<u>\$ -</u>	<u>\$ 99,396,083</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,839,981
School site administration	141,537
Home-to-school transportation	47,179
All other pupil services	47,180
Data processing	23,542
All other general administration	117,948
Plant services	141,537
Total Depreciation Expenses Governmental Activities	<u>\$ 2,358,904</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2013, between major and non-major governmental funds are as follows:

Due To	Due From			Total Governmental Funds
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 237,009	\$ 237,009
Capital Facilities Fund	586,105	-	-	586,105
County School Facilities Fund	-	1,956,515	-	1,956,515
Non-Major Governmental Funds	335	-	-	335
Total	<u>\$ 586,440</u>	<u>\$ 1,956,515</u>	<u>\$ 237,009</u>	<u>\$ 2,779,964</u>

A balance of \$586,105 is due to the Capital Facilities Fund from the General Fund for required debt service payment related to the District's certificates of participation.

A balance of \$1,956,515 is due to the County School Facilities Fund from the Capital Facilities Fund for payment of construction lawsuit settlement related to the River Park project.

The balance of \$237,009 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for benefits, indirect costs, and other operating expenditures.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
Capital Facilities Fund	<u>\$ 587,357</u>	<u>\$ 969,151</u>	<u>\$ 1,556,508</u>

The General Fund transferred to the Capital Facilities Fund for the required debt service payment related to the District's outstanding certificates of participation. \$ 587,357

The Building Non-Major Governmental Fund transferred to the Capital Facilities Fund for RDA fund received. 969,151

Total \$ 1,556,508

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Materials and supplies	\$ 289,610	\$ -	\$ 116	\$ 268,237	\$ 557,963
Services	1,158,297	12,530	-	10,229	1,181,056
State apportionment	1,311,181	-	-	-	1,311,181
Salaries and benefits	217,104	-	-	4,658	221,762
Construction	-	29,691	11,752	-	41,443
Legal settlement	-	-	1,956,515	-	1,956,515
Total	<u>\$ 2,976,192</u>	<u>\$ 42,221</u>	<u>\$ 1,968,383</u>	<u>\$ 283,124</u>	<u>\$ 5,269,920</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2013, consists of the following:

	General Fund
Federal financial assistance	\$ 51,388
State categorical aid	268
Other local	21,550
Total	<u>\$ 73,206</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

The District issued \$5,790,000 of Tax Revenue Anticipation Notes dated March 1, 2012, through the California School Cash Reserve Program Authority. The notes mature on December 31, 2012, with an interest yield of 0.44 percent. The notes were sold to supplement cash flow. Repayments terms stipulate that 100 percent of principal and interest are due on the account to a designated fiscal agent by the notes' maturity date. As of June 30, 2013, the District has defeased the debt.

The District issued \$4,585,000 of Tax Revenue Anticipation Notes dated July 1, 2012, through the California School Cash Reserve Program Authority. The notes matured on February 1, 2013 with an interest rate of 0.441 percent. The notes were sold to supplement cash flow. Repayment terms stipulate that 100 percent of principal and interest are due on the account to a designated fiscal agent by the notes' maturity date. As of June 30, 2013, the District has defeased the debt.

The District issued \$3,975,000 of Tax Revenue Anticipation Notes dated March 1, 2013, through the California School Cash Reserve Program Authority. The notes mature on October 31, 2013, with an interest rate of 0.372 percent. The notes were sold to supplement cash flow. Repayments terms stipulate that 100 percent of principal and interest are due on the account to a designated fiscal agent by the notes' maturity date. As of June 30, 2013, the District had an outstanding Tax and Revenue Anticipation Note in the Amount of \$3,475,000.

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

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2013</u>
3/1/2012	0.440%	12/31/2012	\$ 5,790,000	\$ -	\$ 5,790,000	\$ -
7/1/2012	0.441%	2/1/2013	-	4,585,000	4,585,000	-
2/20/2013	0.372%	10/1/2013	-	3,975,000	501,000	3,474,000
			<u>\$ 5,790,000</u>	<u>\$ 8,560,000</u>	<u>\$ 10,876,000</u>	<u>\$ 3,474,000</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made by the Capital Facilities Fund. Payments for the lease purchase agreement are made by the General Fund. Capital leases are paid by the General Fund and the Capital Facilities Fund. The accrued vacation is paid by the fund for which the employee worked. Supplemental retirement payments are paid by the General Fund. The legal settlement and litigation is paid by the General Fund. Other postemployment benefits are paid by the General Fund.

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 15,280,000	\$ -	\$ 605,000	\$ 14,675,000	\$ 635,000
General obligation bonds premium on issuance	585,334	-	32,518	552,816	-
Certificates of participation	7,680,000	-	260,000	7,420,000	275,000
Certificates of participation premium on issuance	44,075	-	2,204	41,871	-
Lease purchase agreement	3,620,268	-	325,049	3,295,219	340,046
Capital leases	25,548	-	11,047	14,501	14,501
Accumulated vacation	215,475	-	2,379	213,096	-
Supplemental retirement payments	98,000	4,000	-	102,000	-
Early retirement incentive	101,250	-	101,250	-	-
Legal settlement	98,787	-	5,000	93,787	31,262
Litigation	9,293,417	-	-	9,293,417	-
Other postemployment benefits	2,345,695	1,461,293	706,555	3,100,433	-
Total	<u>\$ 39,387,849</u>	<u>\$ 1,465,293</u>	<u>\$ 2,051,002</u>	<u>\$ 38,802,140</u>	<u>\$ 1,295,809</u>

**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, 2012	Interest Accretion	Redeemed	Outstanding June 30, 2013
5/2/2007	8/1/2029	3.570-5.000%	\$ 16,396,187	<u>\$ 15,280,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 14,675,000</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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On May 2, 2007, the District issued the 2007 General Obligation Refunding Bonds (the Refunding Bonds) in the amount of \$16,396,187, to refund the portions of the 1997 General Obligation Bonds, Series A, B, and C (the Refunded Bonds), as noted above. The Refunding Bonds were issued as both current interest (\$15,690,000) and capital appreciation bonds (\$706,187), with the value of the capital appreciation bonds accreting \$263,813, with an aggregate principal debt service balance of \$970,000. The District received net proceeds of \$16,880,288 (including premium of \$780,442 and after payment of \$296,341 in underwriter fees, insurance, and other issuance costs). At June 30, 2013, Refunding Bonds in the amount of \$14,675,000, including accreted interest, were outstanding. The unamortized premium and costs of issuance were \$552,816 and \$421,648, respectively, at June 30, 2013. The proceeds of the Refunding Bonds were deposited in an escrow fund to pay the debt service on the Refunding Bonds due on August 1, 2007, and the redemption prices of the Refunded Bonds on the optional redemption date for the Refunded Bonds on August 1, 2007.

### Debt Service Requirements to Maturity

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 635,000	\$ 668,581	\$ 1,303,581
2015	680,000	635,706	1,315,706
2016	715,000	600,831	1,315,831
2017	745,000	564,331	1,309,331
2018	785,000	526,082	1,311,082
2019-2023	4,490,000	2,032,273	6,522,273
2024-2028	4,930,000	1,001,495	5,931,495
2029-2030	1,695,000	74,875	1,769,875
Total	<u>\$ 14,675,000</u>	<u>\$ 6,104,174</u>	<u>\$ 20,779,174</u>

### Certificates of Participation - 2007 Financing Project

On March 14, 2007, the District, under the California School Boards Association Financing Corporation, issued \$8,335,000 in Certificates of Participation. The Certificates mature March 1, 2032, and bear interest rates from 3.5 to 5.5 percent. The District received net proceeds of \$8,102,541 (including premium of \$57,299 and after payment of \$289,758 in underwriter fees and other issuance costs). A portion of the proceeds, \$1,305,000, was used to prepay the District's Capital Appreciation Certificates of Participation. The remainder is being used to finance costs associated with the completion of the construction of Rio Rosales Elementary School and other District facilities, to fund the Debt Service Reserve Fund, and to pay the costs related to the issuance of the Certificates of participation. A balance of \$7,420,000 remains outstanding at June 30, 2013.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 275,000	\$ 314,358	\$ 589,358
2015	285,000	304,732	589,732
2016	295,000	293,332	588,332
2017	310,000	277,108	587,108
2018	330,000	260,058	590,058
2019-2023	1,840,000	1,096,810	2,936,810
2024-2028	2,245,000	688,378	2,933,378
2029-2033	1,840,000	195,650	2,035,650
Total	<u>\$ 7,420,000</u>	<u>\$ 3,430,426</u>	<u>\$ 10,850,426</u>

**Lease Purchase Agreement**

The District has entered into a lease agreement for the purchase of its District Office. The lease is divided into two parts. The tax-exempt part is for the portion of the building that the District occupies. The initial balance on this lease was \$3,975,193 and it bears interest at 4.35 percent. The other is for the portion of the building that the District leases out. The initial balance on this lease was \$2,025,000, and it bears interest at 6.64 percent. Both parts of the lease are scheduled to be paid in full by October 1, 2020. The remaining balance at June 30, 2013, is \$3,295,219.

The lease payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 340,046	\$ 160,980	\$ 501,026
2015	360,041	143,125	503,166
2016	380,036	124,227	504,263
2017	400,031	104,289	504,320
2018	420,026	83,252	503,278
2019-2021	1,395,039	112,003	1,507,042
Total	<u>\$ 3,295,219</u>	<u>\$ 727,876</u>	<u>\$ 4,023,095</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Capital Leases

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

Balance, July 1, 2012	\$ 27,826
Payments	(12,500)
Balance, June 30, 2013	<u>\$ 15,326</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
<u>2014</u>	\$ 15,326
Less: Amount Representing Interest	(825)
Present Value of Minimum Lease Payments	<u>\$ 14,501</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$213,096.

### 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, 2013, there were a total of four employees eligible to receive the supplemental retirement payments. The current outstanding liability to the District is \$102,000.

### Early Retirement Incentive

During the 2009-2010 fiscal year, the District offered a one-time retirement incentive plan to its certificated employees. The District offered two separate plans based on participants' total 2009-2010 total compensation. Participants with total compensation of \$90,000 (including benefits) or more were offered \$50,000 that will be paid out in three years. Participants with total compensation of \$89,999 (including benefits) or less were offered \$30,000 that will be paid out in three years. There were a total of seven participants that enrolled in the plan. As of June 30, 2013, the District did not have any remaining balance related to this obligation.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Legal Settlement

During the 2005-2006 fiscal year, the District reached a settlement agreement with the former superintendent. The original agreement stipulated that the District will make five annual payments to the former superintendent and two annual payments for attorney fees. The total liability to the District was \$1,484,540, including accrued interest. Since the original agreement, the District renegotiated the terms of the settlement numerous times to allow financial flexibility. During the 2012-2013 fiscal year, the District has renegotiated the terms of the settlement in accordance to the following schedule, including a payment of \$5,000 made during 2012-2013 fiscal year to begin the new terms of the agreement:

<u>Fiscal Year</u>	<u>Total</u>
2014	\$ 31,262
2015	31,262
2016	31,263
Total	<u>\$ 93,787</u>

### Litigation

The District was a defendant in a lawsuit brought by a general contractor company (the contractor) which was retained by the District to construct a school. The contractor filed a suit for breach of contract for unpaid retention, work outside the contract, delay, disruption, and related damages. The District filed a separate action for violation of the California False Claims Act. However, during the prior and current fiscal years the court issued a ruling in favor of the contractor and awarded them an amount of \$5,443,417, plus an estimated \$3,850,000 for opposing counsel fees. The District has accrued a liability for this amount, but intends to aggressively defend itself against the lawsuit and has appealed the ruling.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$1,496,599, and contributions made by the District during the year were \$706,555. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$117,285 and (\$152,591), respectively, which resulted in an increase to the net OPEB obligation of \$754,738. As of June 30, 2013, the net OPEB obligation was \$3,100,433. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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

These bonds are authorized to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the Community Facilities District. Neither the faith and credit nor taxing power of the Rio Elementary School District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the Rio Elementary School District has no duty to pay the delinquency out of any available funds of the District. The Rio Elementary School District acts solely as an agent for those paying taxes levied and the bondholders. The Rio Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2005, has a remaining balance as of June 30, 2013, of \$29,220,000.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	68,025	-	-	22,839	90,864
Prepaid expenditures	4,850	-	-	-	4,850
Total Nonspendable	<u>77,875</u>	<u>-</u>	<u>-</u>	<u>22,839</u>	<u>100,714</u>
<b>Restricted</b>					
Legally restricted	505,559	-	-	447,629	953,188
Capital projects	-	1,768,236	1,060,204	5,717	2,834,157
Debt services	-	-	-	1,190,805	1,190,805
Total Restricted	<u>505,559</u>	<u>1,768,236</u>	<u>1,060,204</u>	<u>1,644,151</u>	<u>4,978,150</u>
<b>Committed</b>					
Future health and welfare benefits	272,383	-	-	-	272,383
<b>Assigned</b>					
Future debt service payments	-	-	-	11,179	11,179
Postemployment benefits	4,650,915	-	-	-	4,650,915
Deferred maintenance	152,516	-	-	-	152,516
Total Assigned	<u>4,803,431</u>	<u>-</u>	<u>-</u>	<u>11,179</u>	<u>4,814,610</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	1,039,407	-	-	-	1,039,407
Remaining unassigned	1,773,442	-	-	-	1,773,442
Total Unassigned	<u>2,812,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,812,849</u>
Total	<u>\$ 8,472,097</u>	<u>\$ 1,768,236</u>	<u>\$ 1,060,204</u>	<u>\$ 1,678,169</u>	<u>\$ 12,978,706</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Plan is a single-employer defined benefit health care plan administered by the Rio Elementary School District. The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service for certificated and management employees hired prior to July 1, 1997, and classified employees hired prior to July 1, 1998. Twenty years of service are required for all other employees. The District contributes from 50 percent to 100 percent of the amount of premiums incurred by retirees and their dependents depending on employment classification, hire date, and years of service at retirement. Membership of the Plan consists of 46 retirees and beneficiaries currently receiving benefits; one terminated Plan member entitled to, but not yet receiving benefits and 282 active Plan members.

#### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$706,555 to the Plan, all of which was used for current premiums.

#### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,496,599
Interest on net OPEB obligation	117,285
Adjustment to annual required contribution	<u>(152,591)</u>
Annual OPEB cost (expense)	1,461,293
Contributions made	<u>(706,555)</u>
Increase in net OPEB obligation	754,738
Net OPEB obligation, beginning of year	<u>2,345,695</u>
Net OPEB obligation, end of year	<u>\$ 3,100,433</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,403,094	\$ 708,390	50%	\$ 1,632,832
2012	1,472,023	759,160	52%	2,345,695
2013	1,461,293	706,555	48%	3,100,433

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 16,637,914	\$ 16,637,914	0%	\$ 19,796,975	84%

**Actuarial Methods and Assumptions**

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

In the July 1, 2011, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 26 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **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 Coastal Schools Employee Benefits Organization (CSEBO), 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 CSEBO to provide employee health benefits. CSEBO is a shared risk pool comprised of ten members in Ventura County. 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 retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,201,686, \$1,176,457, and \$1,146,914, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$529,085, \$496,362, and \$606,094, respectively, and equal 100 percent of the required contributions for each year.

#### **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.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### 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 \$735,141 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

### NOTE 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, 2013.

#### 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 may have a material adverse effect on the overall financial position of the District at June 30, 2013. See also Note 9, regarding litigation.

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

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

During the year ended June 30, 2013, the District made payments of \$219,526, \$1,131,892, and \$3,798, to VCSSFA, CSEBO, and VCFAST, respectively, for services received.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**RIO ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
			<b>Final</b>	<b>to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 20,937,081	\$ 22,938,048	\$ 23,162,457	\$ 224,409
Federal sources	2,146,686	2,327,616	2,073,466	(254,150)
Other State sources	5,377,910	6,099,660	6,637,393	537,733
Other local sources	3,474,669	2,988,483	3,183,232	194,749
<b>Total Revenues <sup>1</sup></b>	<b>31,936,346</b>	<b>34,353,807</b>	<b>35,056,548</b>	<b>702,741</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	14,391,672	15,168,431	15,189,946	(21,515)
Classified salaries	3,542,804	3,645,224	3,991,043	(345,819)
Employee benefits	8,554,938	8,723,801	9,022,091	(298,290)
Books and supplies	1,327,320	1,526,706	1,070,328	456,378
Services and operating expenditures	4,698,590	5,522,619	4,666,208	856,411
Other outgo	908,252	1,081,876	1,252,164	(170,288)
Capital outlay	35,000	43,700	32,577	11,123
Debt service - principal	126,621	97,515	16,047	81,468
Debt service - interest	74,873	53,371	111,043	(57,672)
<b>Total Expenditures <sup>1</sup></b>	<b>33,660,070</b>	<b>35,863,243</b>	<b>35,351,447</b>	<b>511,796</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(1,723,724)</b>	<b>(1,509,436)</b>	<b>(294,899)</b>	<b>1,214,537</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,049,556	1,049,556	-	(1,049,556)
Transfers out	(587,358)	(587,358)	(587,357)	1
<b>Net Financing Sources (Uses)</b>	<b>462,198</b>	<b>462,198</b>	<b>(587,357)</b>	<b>(1,049,555)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,261,526)</b>	<b>(1,047,238)</b>	<b>(882,256)</b>	<b>164,982</b>
<b>Fund Balance - Beginning</b>	<b>9,354,353</b>	<b>9,354,353</b>	<b>9,354,353</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 8,092,827</b>	<b>\$ 8,307,115</b>	<b>\$ 8,472,097</b>	<b>\$ 164,982</b>

<sup>1</sup> On behalf payments of \$735,141 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

**RIO ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2013**

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

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*SUPPLEMENTARY INFORMATION*

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**RIO ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected Migrant Education Program	84.010	14329	\$ 513,684
Title I, Part C - Migrant Education Regular	84.011	14326	253,146
Title I, Part C - Migrant Education Summer	84.011	10005	44,945
Title I, Part C - Even Start Migrant Education	84.011	14768	15,025
Subtotal Migrant Education Program			<u>313,116</u>
Title II, Part A - Improving Teacher Quality English Language Acquisition Program	84.367	14341	136,805
Title III, Part A - Immigrant Education	84.365	15146	8,323
Title III, Part A - Limited English Proficient Student Program	84.365	14346	211,939
Subtotal English Language Acquisition Program			<u>220,262</u>
Passed through Ventura County Office of Education SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	779,527
Preschool Grant, Part B	84.173	13430	27,170
Preschool Local Entitlement	84.027A	13682	55,369
Subtotal Special Education (IDEA) Cluster			<u>862,066</u>
Total U.S. Department of Education			<u>2,045,933</u>
 <b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	<u>34,458</u>
 <b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,464,322
Meal Supplements	10.555	13396	137,494
Especially Needy Breakfast Program	10.553	13390	426,492
Commodities	10.555	13396	242,315
Summer Food Service Program	10.559	13004	103,140
Total U.S. Department of Agriculture			<u>2,373,763</u>
Total Federal Programs			<u>\$ 4,454,154</u>

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

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### ORGANIZATION

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

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ramon Rodriguez	President	2014
Matt Klinefelter	Clerk	2016
Henrietta Macias	Member	2014
Celia Robles	Member	2016
Eleanor Torres	Member	2014

### ADMINISTRATION

Dr. John Puglisi	Superintendent
Jeff Turner	Assistant Superintendent, Educational Services
Mark Kruger*	Assistant Superintendent, Business Services

\* Retired July 31, 2013. Kristen Pifko started November 18, 2013.

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

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	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	567	568
First through third	1,498	1,504
Fourth through sixth	1,437	1,440
Seventh and eighth	951	952
Special education	84	82
Total Elementary	<u>4,537</u>	<u>4,546</u>

See accompanying note to supplementary information.

**RIO ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	36,000	35,000	36,000	35,000	35,965	180	N/A	Complied
Grades 1 - 3	51,550	50,118	50,400	49,000				
Grade 1					53,820	180	N/A	Complied
Grade 2					53,820	180	N/A	Complied
Grade 3					53,820	180	N/A	Complied
Grades 4 - 6	54,010	52,510	54,000	52,500				
Grade 4					53,820	180	N/A	Complied
Grade 5					53,820	180	N/A	Complied
Grade 6					53,820	180	N/A	Complied
Grades 7 - 8	54,270	52,763	54,000	52,500				
Grade 7					59,530	180	N/A	Complied
Grade 8					59,530	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, 2013**

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

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2013, Unaudited Actuals*	\$ 8,985,030
Decrease in:	
Accounts receivable	(546,126)
Increase in:	
Stores inventories	33,193
Balance, June 30, 2013, Audited Financial Statement	<u>\$ 8,472,097</u>
	<u>Cafeteria Fund</u>
FUND BALANCE	
Balance, June 30, 2013, Unaudited Actuals	\$ 346,500
Increase in:	
Accounts receivable	123,968
Balance, June 30, 2013, Audited Financial Statement	<u>\$ 470,468</u>

\* Amount includes consolidation of Deferred Maintenance Fund (Fund 14) and Special Reserve Fund for Postemployment Benefits (Fund 20).

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

	(Budget)			
	2014 <sup>1</sup>	2013	2012	2011
GENERAL FUND <sup>4</sup>				
Revenues	\$ 34,995,434	\$ 34,809,669	\$ 35,241,237	\$ 34,751,132
Other sources and transfers in	1,051,500	1,049,556	84,462	60,006
Total Revenues and Other Sources	<u>36,046,934</u>	<u>35,859,225</u>	<u>35,325,699</u>	<u>34,811,138</u>
Expenditures	36,225,568	35,348,830	34,665,184	33,876,669
Other uses and transfers out	587,358	587,358	586,105	912,062
Total Expenditures and Other Uses	<u>36,812,926</u>	<u>35,936,188</u>	<u>35,251,289</u>	<u>34,788,731</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (765,992)</u>	<u>\$ (76,963)</u>	<u>\$ 74,410</u>	<u>\$ 22,407</u>
ENDING FUND BALANCE	<u>\$ 2,902,672</u>	<u>\$ 3,668,664</u>	<u>\$ 3,745,627</u>	<u>\$ 3,671,217</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 2,491,439</u>	<u>\$ 2,812,849</u>	<u>\$ 2,771,169</u>	<u>\$ 1,242,235</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	<u>6.77%</u>	<u>7.99%</u>	<u>8.03%</u>	<u>3.64%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 38,802,140</u>	<u>\$ 39,387,849</u>	<u>\$ 36,150,151</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>4,653</u>	<u>4,537</u>	<u>4,480</u>	<u>4,337</u>

The General Fund balance has decreased by \$2,553 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$765,992 (20.9 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, but anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$2,651,989 over the past two years.

Average daily attendance has increased by 200 over the past two years. Additional growth of 116 ADA is anticipated during fiscal year 2013-2014.

<sup>1</sup> Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$735,141, \$733,208, and \$606,094, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

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

See accompanying note to supplementary information.

**RIO ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>CFD Capital Projects Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 473,980	\$ 10,496	\$ 5,675
Receivables	493,447	683	42
Due from other funds	335	-	-
Stores inventories	22,839	-	-
<b>Total Assets</b>	<u>\$ 990,601</u>	<u>\$ 11,179</u>	<u>\$ 5,717</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 283,124	\$ -	\$ -
Due to other funds	237,009	-	-
<b>Total Liabilities</b>	<u>520,133</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable	22,839	-	-
Restricted	447,629	-	5,717
Assigned	-	11,179	-
<b>Total Fund Balances</b>	<u>470,468</u>	<u>11,179</u>	<u>5,717</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 990,601</u>	<u>\$ 11,179</u>	<u>\$ 5,717</u>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,188,962	\$ 1,679,113
1,843	496,015
-	335
-	22,839
<u>\$ 1,190,805</u>	<u>\$ 2,198,302</u>
\$ -	\$ 283,124
-	237,009
<u>-</u>	<u>520,133</u>
-	22,839
1,190,805	1,644,151
-	11,179
<u>1,190,805</u>	<u>1,678,169</u>
<u>\$ 1,190,805</u>	<u>\$ 2,198,302</u>

**RIO ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>CFD Capital Projects Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 2,373,763	\$ -	\$ -
Other State sources	194,519	-	-
Other local sources	243,897	296,107	491,179
<b>Total Revenues</b>	<u>2,812,179</u>	<u>296,107</u>	<u>491,179</u>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	2,981,354	-	-
Administration:			
All other administration	123,550	-	-
Plant services	7,004	3,193	-
Facility acquisition and construction	24,933	-	-
Principal	-	-	320,049
Interest and other	-	-	172,904
<b>Total Expenditures</b>	<u>3,136,841</u>	<u>3,193</u>	<u>492,953</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(324,662)</u>	<u>292,914</u>	<u>(1,774)</u>
<b>Other Financing Uses</b>			
Transfers out	-	(969,151)	-
<b>NET CHANGE IN FUND BALANCES</b>	(324,662)	(676,237)	(1,774)
<b>Fund Balances - Beginning</b>	795,130	687,416	7,491
<b>Fund Balances - Ending</b>	<u>\$ 470,468</u>	<u>\$ 11,179</u>	<u>\$ 5,717</u>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 2,373,763
7,936	202,455
<u>1,253,884</u>	<u>2,285,067</u>
<u>1,261,820</u>	<u>4,861,285</u>
-	2,981,354
-	123,550
-	10,197
-	24,933
605,000	925,049
<u>699,581</u>	<u>872,485</u>
<u>1,304,581</u>	<u>4,937,568</u>
<u>(42,761)</u>	<u>(76,283)</u>
-	(969,151)
(42,761)	(1,045,434)
<u>1,233,566</u>	<u>2,723,603</u>
<u>\$ 1,190,805</u>	<u>\$ 1,678,169</u>

# RIO ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2013

(Amounts in thousands)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 2,073	6.0	\$ 2,860	8.1	\$ 3,638	10.5
State and local revenue included in revenue limit	23,897	68.6	22,954	65.2	22,007	63.3
Other State revenue	5,761	16.6	6,077	17.2	5,905	17.0
Other local revenue	3,078	8.8	3,350	9.5	3,201	9.2
Total Revenues	<u>34,809</u>	<u>100.0</u>	<u>35,241</u>	<u>100.0</u>	<u>34,751</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and benefits						
Certificated salaries	15,190	43.6	15,153	43.0	14,550	41.9
Classified salaries	3,991	11.5	3,967	11.3	4,135	11.9
Employee benefits	9,022	25.9	8,903	25.2	8,297	23.9
Total Salaries and Benefits	<u>28,203</u>	<u>81.0</u>	<u>28,023</u>	<u>79.5</u>	<u>26,982</u>	<u>77.7</u>
Books and supplies	1,068	3.0	1,010	2.8	1,316	3.8
Contracts and operating expenses	4,666	13.4	4,437	12.6	4,527	13.0
Capital outlay	33	0.1	2	0.0	220	0.6
Other outgo	1,356	3.9	991	2.8	635	1.8
Debt service	23	0.1	201	0.6	197	0.6
Total Expenditures	<u>35,349</u>	<u>101.5</u>	<u>34,664</u>	<u>98.3</u>	<u>33,877</u>	<u>97.5</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(540)</u>	<u>(1.5)</u>	<u>577</u>	<u>1.7</u>	<u>874</u>	<u>2.5</u>
<b>OTHER FINANCING USES</b>						
Incoming transfers (Other sources)	1,050	3.0	84	0.2	60	0.2
Outgoing transfers (Other uses)	<u>(587)</u>	<u>(1.7)</u>	<u>(586)</u>	<u>(1.6)</u>	<u>(912)</u>	<u>(2.6)</u>
Total Other Sources (Uses)	<u>463</u>	<u>1.3</u>	<u>(502)</u>	<u>(1.4)</u>	<u>(852)</u>	<u>(2.4)</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>(77)</u>	<u>(0.2)</u>	<u>75</u>	<u>0.3</u>	<u>22</u>	<u>0.1</u>
FUND BALANCE, BEGINNING	<u>3,746</u>		<u>3,671</u>		<u>3,649</u>	
FUND BALANCE, ENDING	<u>\$ 3,669</u>		<u>\$ 3,746</u>		<u>\$ 3,671</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>10.5</u>		<u>10.6</u>		<u>10.6</u>

See accompanying note to supplementary information.

# RIO ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 4,447,229
Medi-Cal Billing Option	93.778	6,925
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,454,154</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. 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 either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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

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

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

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

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

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

### **General Fund Selected Financial Information**

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

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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' 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, 2013, 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, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying financial statement finding as item 2013-1 and 2013-2 that we consider to be significant deficiencies.

## **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, 2013.

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

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

## **Purpose of This Report**

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

*Varinck, Irine, Day + Co., LLP*

Rancho Cucamonga, California  
December 16, 2013



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

Governing Board  
Rio Elementary School District  
Oxnard, California

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

We have audited Rio Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rio Elementary School District's (the District) major Federal programs for the year ended June 30, 2013. Rio Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, Rio Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

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

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

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

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California  
December 16, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Rio Elementary School District  
Oxnard, California

### Report on State Compliance

We have audited Rio Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* 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, 2013.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Rio Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Rio Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2013.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

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

*Varinick, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 16, 2013

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

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**RIO ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Low Income and Neglected</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education (IDEA) Cluster</u>

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

**STATE AWARDS**

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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# RIO ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

**2013-1 30000**

### ***FISCAL SOLVENCY***

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

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

#### **Condition**

Although the Schedule of Financial Trends on page 60 indicates that the District has continued to increase its available reserves in the General Fund for the year ended June 30, 2013 by approximately \$41 thousand, the District is projecting its available reserves as a percentage of total outgo as of June 30, 2014 to be approximately 89 percent of the available reserve reported for the year ended June 30, 2013. In addition, as indicated on page 45, the District has incurred a cumulative liability relating to litigation of approximately \$9.3 million. The District intends to appeal the court ruling; however, if the appeal is unsuccessful, the General fund balance would not be sufficient to pay the resulting liability.

#### **Questioned costs**

There are no questioned costs associated with the condition identified.

#### **Context**

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

#### **Effect**

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

# RIO ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### **Cause**

It appears that the condition materialized due to recent economic declines which resulted in decrease in State funding and unanticipated litigation losses of \$9.3 million dollars.

### **Recommendation**

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

### **Corrective Action Plan**

District staff will closely monitor the budget for the current fiscal year, and for at least two additional years to ensure that a satisfactory fund balance reserve is maintained. With the implementation of the Local Control Funding Formula beginning in fiscal year 2013-2014, the District will be receiving a steady, reliable stream of additional State funding, which will make it easier for the District to maintain appropriate levels of fund balance reserves for the foreseeable future. Additionally, the District is in the process of appealing the lower court ruling.

2013-2      30000

### ***MODIFIED ACCRUAL ACCOUNTING OF REVENUES AND EXPENDITURES***

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

Under the modified basis of accounting used for governmental funds, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when a liability is incurred, regardless of when the receipt or payment of cash takes place. School District's operating in the State of California use the modified accrual basis of accounting in governmental funds.

#### **Condition**

During the District's year-end closing process, the District excluded multiple accrual items pertaining to revenues that should have been recognized as well as included items that should not have been recognized as of June 30, 2013.

#### **Questioned costs**

There were no questioned costs associated with the condition identified.

# **RIO ELEMENTARY SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013**

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### **Context**

The condition was identified through the course of the financial audit conducted on the District's financial statements. More specifically, understated and overstated revenues were identified during the review of the District's accounting for categorical programs.

### **Effect**

The net effect of these items on the ending fund balance of the District's General Fund and Cafeteria Fund resulted in the fund balance being lower by \$512,933 and higher by \$123,968, respectively than what was reported by the District's in the Unaudited Actuals as of June 30, 2013.

### **Cause**

The cause is unknown. However, the condition identified appears to be an error and not an intentional omission.

### **Recommendation**

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

- 1) Properly identify awarded amounts for various categorical programs. Accounting of revenues must coincide directly with amounts awarded to the District in a given fiscal year.
- 2) Review program budgets during year-end closing process to monitor obvious errors. Program budgets are generally established using award letters provided to the District by various State and Federal agencies. Using these award letters, revenue budgets are established to monitor program activities. Actual results and budgeted projections should be compared at year-end.

### **Corrective Action Plan**

In the future, during year-end closing procedures, the District staff will exercise care to properly identify awarded amounts for various categorical programs and review program budgets. Staff will implement new closing procedures to focus on properly recording the revenues and expenses of categorical programs. Staff will compare actual results to budgeted projections at year-end in order to prevent obvious errors.

**RIO ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**RIO ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

# RIO ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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Summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

**2012-1    30000**

#### ***FISCAL SOLVENCY***

##### **Findings**

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, it is recommended that the District maintain a Reserve for Economic Uncertainties to safeguard the District's financial stability.

Although the Schedule of Financial Trends and Analysis on page 62 indicates that the District had increased its available reserves in the General Fund for the year ended June 30, 2012, by approximately \$1.5 million, the District is projecting its available reserves as a percentage of total outgo as of June 30, 2013, to be approximately 51 percent of the available reserve reported for the year ended June 30, 2012. In addition, as indicated on page 44, the District has incurred a liability relating to litigation of approximately \$9.3 million. The District intends to appeal the court ruling; however, if the appeal were unsuccessful, the General Fund balance would not be sufficient to pay the resulting liability. The effect of the condition may potentially lead the District to financial hardship which can result in fiscal insolvency. It appears that the condition materialized due to recent economic declines which resulted in decrease in State funding and unanticipated litigation losses of \$9.3 million dollars.

##### **Recommendation**

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

##### **Current Status**

See current year finding 2013-1.

# RIO ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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2012-2      30000

### *MODIFIED ACCRUAL ACCOUNTING OF REVENUES AND EXPENDITURES*

#### **Findings**

Under the modified basis of accounting used for governmental funds, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when a liability is incurred, regardless of when the receipt or payment of cash takes place. School district's operating in the State of California use the modified accrual basis of accounting in governmental funds. During the District's year-end closing process, the District excluded multiple accrual items pertaining to both revenues and expenditures that should have been recognized as of June 30, 2012. During the District's year-end closing process, the District excluded multiple accrual items pertaining to both revenues and expenditures that should have been recognized as of June 30, 2012. The condition was identified through the course of the financial audit conducted on the District's financial statements. More specifically, unrecorded revenues were identified during the review of the District's Revenue Limit calculation and unrecorded expenditures were identified during our audit of the District's accounts payable and associated expenditures. The net effect of these unrecorded items on the ending fund balance of the District's General Fund resulted in the fund balance being higher by \$389,731 than what was reported by the District's in the Unaudited Actuals as of June 30, 2012.

#### **Recommendations**

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

1. Complex calculations, including revenue limit calculations, should be reviewed to ensure accuracy. If possible, an independent party other than the person preparing the calculation should perform the review.
2. For liabilities incurred by the District, that the District generally does not receive an invoice for during its year-end closing process, the District should estimate the liability based on historical trends. This would directly impact the accounting of the District's special education excess cost.

#### **Current Status**

Implemented. However, see current year finding 2013-2.

# RIO ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### *State Awards Findings*

2012-3      40000

#### *After School Education and Safety Program – Attendance and Reporting*

##### **Findings**

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full-day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week, and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

There appear multiple instances in which there are no verifiable records to support students leaving early are doing so in accordance with the program's early release policy adopted by the District. The District has a procedure to indicate the reason for early release on a designated column on the sign out roster. Parents are required to indicate the reason for early release when they sign out their child earlier than 6:00 PM. However, during review of sign out sheets, it was noted that there were numerous instances in which the rosters were not completed to reflect the student's reason for early dismissal. The condition identified was determined through review of attendance records from one of the seven sites that operate the after school program. Manual sign out rosters were reviewed for each child's sign out time in order to determine daily participation. Auditor selected one schools for the first semi-annual reporting period. As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(2). There is not sufficient documentation to support whether or not students participated in the full day of the program except as established in the early release policy.

##### **Recommendation**

The District should strive to improve implemented procedures to document early released students on the standardized, early release form. Auditor noted that the procedures to document a student's early release are sufficient to support that the early release of participants is in accordance with the early release policy. The District should communicate to the sites the importance of following the established procedures to ensure compliance with program requirements.

##### **Current Status**

Implemented.



Governing Board  
Rio Elementary School District  
Oxnard, California

In planning and performing our audit of the basic financial statements of Rio Elementary School District for the year ending June 30, 2013, 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, 2013, on the basic financial statements of Rio Elementary School District.

### ***INTERNAL CONTROLS***

#### *Purchase Orders*

##### Observation

The District's policy for disbursements allows the payment to only exceed up to 10 percent above the amount defined by the purchase order. It was observed that the accounts payable clerks are able to circumvent that policy by overriding.

##### Recommendation

The ability to make a payment exceeding the 10 percent above the purchase order amount diminishes the purpose and role of the budget analyst who ensures that there are enough funds to make the disbursement. The accounts payable clerks should only have the ability to make payments that exceed up to 10 percent above the amount allocated in the purchase order as per District policy. This will reduce the risk of overspending the available amount of fraud.

Governing Board  
Rio Elementary School District

*Revolving Bank Account*

Observation

During our review of the District's revolving bank account reconciliations, we noted the District does not have a formal review process. There was no clear audit trail indicating the bank accounts are being reviewed by an independent District employee on a timely basis.

Recommendation

The District should ensure that all reconciliations are reviewed for completeness and accuracy throughout the year. Evidence of this review should be available for audit purposes such as signing the bank reconciliation as proof of review.

*Credit Cards*

Observation

It was noted that back up documentation is not always reviewed prior to making credit card payments.

Recommendation

The District should adopt a procedure to review all supporting documentation for each transaction indicated on the credit card statements. This procedure will help decrease the chances of unallowable disbursements and noncompliance with program requirements.

*Documentation of Personnel or Budgetary Changes*

Observation

It was noted that there is no procedure for approval for employee changes in account coding. The district uses a Personnel Action Request (PAR) Form to approve any positions that open up during the year. After the position has been filled any subsequent changes to the individual within that position's account coding do not follow a specific procedure of approval.

Recommendation

The District should consider adopting a procedure that integrates the documentation of approval of all changes within the account coding of employees. Doing this will help the tracking of employees to individual programs and decrease the chances of noncompliance.

***ASSOCIATED STUDENT BODY***

*Disbursements - Rio Del Valle Middle School*

Observation

During our audit of the ASB's internal controls over disbursements, we noted the following issues

1. Review of sample disbursements lack receiving documentation.
2. Review of sample disbursements does not have supporting documentation.

Recommendation

1. All expenditures should indicate whether the items purchases have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.
2. All disbursements need to have the supporting documentation on file to show that disbursements charged to ASB were necessary and adequate.

*Receipting - Rio Del Valle Middle School*

Observation

Site is currently using more than one receipt book to document the sale of goods for ASB, thus causing receipts not to be in sequential order. Receipt book contain duplicate not triplicate receipts.

Recommendation

Site is allowed to use more than one receipt book but our recommendation is that one receipt book be the main one. Receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt should be attached to deposits for back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact.

*Revenue Potentials - Rio Del Valle Middle School*

Observation

Revenue potential forms are not being completed to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Governing Board  
Rio Elementary School District

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

*Tickets Sales Recap - Rio Del Valle Middle School*

Observation

1. Master ticket log is not being utilized to account for all tickets on hand and used during the year.
2. Ticket Rolls are not turned into ASB Clerk for safe keeping

Recommendation

1. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.
2. Ticket rolls need to be turned into the ASB Clerk for safe keeping and also allow her to document them on the master ticket log. Since ticket rolls represent money for the ASB they should be kept in a locked place and be checked out from the ASB Clerk.

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

*Varrinck, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 16, 2013