



**RIALTO UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

RIALTO UNIFIED SCHOOL DISTRICT
OF SAN BERNARDINO COUNTY
RIALTO, CALIFORNIA
JUNE 30, 2009

GOVERNING BOARD

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Mr. Joseph Martinez	Vice President	2012
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Dr. James S. Wallace	Deputy Superintendent/Chief of Staff
Dr. Joseph G. Davis	Deputy Superintendent, Business Services
Ms. Gail Mathews	Assistant Superintendent, Instructional Services
Ms. Anna M. Rodriguez	Assistant Superintendent, Personnel Services

RIALTO UNIFIED SCHOOL DISTRICT

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RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 59 and 60, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, the Combining Statements – Non-Major Governmental Funds and the General Fund and Cafeteria Account Selected Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 10, 2009



RIALTO UNIFIED SCHOOL DISTRICT

182 East Walnut Avenue Rialto, California 92376-3598 Telephone (909) 820-7700 FAX (909) 873-2489

HAROLD L. CEBRUN, SR., Ph.D.
Superintendent

BOARD OF EDUCATION

Joseph Ayala

Joanne T. Gilbert

John R. Kazalunas, Ed.D.

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JOSEPH G. DAVIS, Ed. D.
Deputy Superintendent
Business Services

This section of Rialto Unified School District's (the District) 2008-2009 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009, with comparative information for June 30, 2008. 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 Rialto Unified School 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 and business-type 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.

Governmental and the *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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 *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* 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 Rialto Unified School District.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* 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 assets and changes in them. Net assets are 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 assets 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 Assets* 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 twelve students, adult education students, the operation of child development activities, 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.

Business-type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

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. and California Departments of Education.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. In fact, the District's enterprise fund is 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.

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. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$351.1 million for the fiscal year ended June 30, 2009, and \$326.4 million for the fiscal year ended June 30, 2008. Of this amount, \$32.8 million and \$28.9 million were unrestricted for June 30, 2009, and June 30, 2008, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Table 1

(Amounts in millions)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>School District Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets						
Current and other assets	\$ 115.9	\$ 109.9	\$ 7.4	\$ 6.3	\$ 123.3	\$ 116.2
Capital assets	327.5	310.9	10.6	8.0	338.1	318.9
Total Assets	443.4	420.8	18.0	14.3	461.4	435.1
Liabilities						
Current liabilities	27.4	28.1	-	-	27.4	28.1
Long-term obligations	82.9	80.6	-	-	82.9	80.6
Total Liabilities	110.3	108.7	-	-	110.3	108.7
Net Assets						
Invested in capital assets, net of related debt	254.8	235.8	10.6	8.0	265.4	243.8
Restricted	52.9	53.7	-	-	52.9	53.7
Unrestricted	25.4	22.6	7.4	6.3	32.8	28.9
Total Net Assets	\$ 333.1	\$ 312.1	\$ 18.0	\$ 14.3	\$ 351.1	\$ 326.4

The \$25.4 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. Increases are due to additional State and Federal Grants.

Changes in Net Assets

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.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 1.4	\$ 1.3	\$ 2.1	\$ 2.4	\$ 3.5	\$ 3.7
Operating grants and contributions	57.0	59.6	12.1	11.4	69.1	71.0
Capital grants and contributions	21.4	33.4	-	-	21.4	33.4
General revenues:						
Federal and State aid not restricted	156.1	170.7	-	-	156.1	170.7
Property taxes	15.9	14.5	-	-	15.9	14.5
Other general revenues	20.2	13.0	-	-	20.2	13.0
Total Revenues	272.0	292.5	14.2	13.8	286.2	306.3
Expenses						
Instruction-related	186.1	189.2	-	-	186.1	189.2
Student support services	15.7	16.1	-	-	15.7	16.1
Administration	13.3	13.1	-	-	13.3	13.1
Maintenance and operations	28.5	19.2	-	-	28.5	19.2
Food services	-	-	13.6	12.9	13.6	12.9
Other	4.4	4.3	-	-	4.4	4.3
Total Expenses	248.0	241.9	13.6	12.9	261.6	254.8
Excess (Deficiency)	24.0	50.6	0.6	0.9	24.6	51.5
Transfers	(3.0)	(2.1)	3.0	2.1	-	-
Change in Net Assets	\$ 21.0	\$ 48.5	\$ 3.6	\$ 3.0	\$ 24.6	\$ 51.5

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 15, the cost of all of the District's activities this year was \$261.6 million and \$254.8 million for June 30, 2009, and June 30, 2008, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$15.9 million and \$14.5 million for June 30, 2009, and June 30, 2008. The cost was paid by those who benefited from the programs, \$3.5 million and \$3.7 million for June 30, 2009, and June 30, 2008, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$90.5 million and \$104.4 million for June 30, 2009, and June 30, 2008, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$176.3 million and \$183.7 million for June 30, 2009, and June 30, 2008, respectively, in State funds and with other revenues, like interest and general entitlements.

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

In Table 3, we have presented the cost and net cost of each of the District's largest functions - regular program instruction, instruction-related programs, school administration, pupil transportation services, other pupil support services, administration, plant services, and the remaining functional costs. 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)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Instruction	\$ 148.9	\$ 151.0	\$ 98.0	\$ 85.3
Instruction-related activities	20.1	20.4	3.9	3.8
School administration	17.1	17.8	14.0	15.3
Home-to-school transportation	3.8	4.6	2.9	3.7
Other pupil services	11.9	11.5	8.3	8.5
General administration	13.3	13.1	9.7	9.9
Plant services	28.5	19.2	27.5	17.0
Other	4.4	4.3	3.9	4.0
Total	\$ 248.0	\$ 241.9	\$ 168.2	\$ 147.5

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$87.3 million as of June 30, 2009, which is an increase of \$6.8 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2008	Revenues	Expenditures	June 30, 2009
General Fund	\$ 40.9	\$ 241.6	\$ 229.1	\$ 53.4
County School Facilities	24.0	21.5	23.8	21.7
Adult Education	0.3	0.6	0.7	0.2
Child Development	0.7	3.6	3.5	0.8
Deferred Maintenance	1.7	1.3	0.8	2.2
Building	0.2	-	0.2	-
Capital Facilities	6.7	1.4	4.6	3.5
Special Reserve Capital Outlay	0.7	0.3	0.8	0.2
Bond Interest and Redemption	5.3	4.5	4.5	5.3
COP Debt Service	-	1.1	1.1	-
Total	\$ 80.5	\$ 275.9	\$ 269.1	\$ 87.3

The primary reasons for these increases/decreases are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund increased by \$12.5 million to \$53.4 million. This increase is due to the increase in State and Federal grants.
- Our County School Facilities Fund and Capital Facilities Fund showed a net decrease of approximately \$5.5 million due to the completion of various modernization projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2009. 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 59.

- Significant revenue revisions made to the 2008-2009 Budget were due to increased funding from State and Federal Grants.

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, and June 30, 2008, the District had \$338.1 million and \$318.9 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$19.2 million, or 6.0 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and construction in progress	\$ 88.1	\$ 88.5	\$ -	\$ -	\$ 88.1	\$ 88.5
Buildings and improvements	220.4	204.5	10.1	7.5	230.5	212.0
Furniture and equipment	19.0	17.9	0.5	0.5	19.5	18.4
Total	\$ 327.5	\$ 310.9	\$ 10.6	\$ 8.0	\$ 338.1	\$ 318.9

This year's total additions included construction in process, vehicles, cafeteria equipment, and classroom equipment such as computers.

Several capital projects are planned for the 2009-10 year. We anticipate major capital additions to be \$26.5 million for the 2009-10 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Capital Projects	Contract Amount	Remaining Construction Commitment	Expected Date of Completion
9th Grade Campus/Middle School #6	\$ 47,207,625	\$ 14,059,038	12/01/09
Elementary #19	20,593,184	12,423,427	05/01/10
	\$ 67,800,809	\$ 26,482,465	

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Long-Term Obligations

At the end of this year, the District had \$82.9 million in long-term obligations outstanding versus \$80.6 million last year, a slight increase from the previous year.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds (financed with property taxes)	\$ 52.8	\$ 54.7	\$ -	\$ -	\$ 52.8	\$ 54.7
Certificates of participation	14.8	15.3	-	-	14.8	15.3
Child care facilities revolving fund	0.7	0.9	-	-	0.7	0.9
City of Rialto	6.0	6.1	-	-	6.0	6.1
Other	8.6	3.6	-	-	8.6	3.6
Total	\$ 82.9	\$ 80.6	\$ -	\$ -	\$ 82.9	\$ 80.6

The District's general obligation bond rating continues to be "A-". 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 \$52.8 million is below the statutorily-imposed limit.

Other obligations include a supplemental early retirement plan and a loan from the City of Rialto Redevelopment Agency (RDA). We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-10 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Financial

1. 2.5 percent projected student enrollment decline.
2. 4.25 percent Cost of Living Adjustment (COLA) on Revenue Limit and all other Revenues and with a 17.967 percent deficit.
3. Negotiations with unions for salary increases are settled in 2009-10.
4. A \$736 increase for health and welfare benefits for each full-time employee.
5. Utility costs projected to increase by 5.00 percent.
6. Developer fee collections are based on estimated new housing units to be constructed.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	32:1	1,895
Grades one and two	20:1	4,142
Grades three through five	32:1	6,422
Grades six through eight	26.5:1	4,589
Grades nine through twelve	27.5:1	<u>8,505</u>
Total		<u>27,465</u>

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 Deputy Superintendent, Business Services, at Rialto Unified School District, 182 E. Walnut Avenue, Rialto, California, 92376, or e-mail at jdavis@rialto.k12.ca.us.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 77,058,605	\$ 5,865,187	\$ 82,923,792
Receivables	36,239,846	1,617,676	37,857,522
Internal balances	526,495	(526,495)	-
Prepaid expenses	453,650	-	453,650
Stores inventories	141,428	429,267	570,695
Deferred cost on issuance	1,476,175	-	1,476,175
Capital assets			
Land and work in process	88,139,576	-	88,139,576
Other capital assets	347,390,166	13,800,617	361,190,783
Less: accumulated depreciation	(108,052,699)	(3,216,505)	(111,269,204)
Total Capital Assets	<u>327,477,043</u>	<u>10,584,112</u>	<u>338,061,155</u>
Total Assets	<u>443,373,242</u>	<u>17,969,747</u>	<u>461,342,989</u>
LIABILITIES			
Accounts payable	22,860,077	1,286	22,861,363
Accrued interest payable	1,111,575	-	1,111,575
Deferred revenue	3,407,680	-	3,407,680
Long-term obligations			
Current portion of long-term obligations	3,790,966	-	3,790,966
Noncurrent portion of long-term obligations	79,067,667	-	79,067,667
Total Long-Term Obligations	<u>82,858,633</u>	<u>-</u>	<u>82,858,633</u>
Total Liabilities	<u>110,237,965</u>	<u>1,286</u>	<u>110,239,251</u>
NET ASSETS			
Invested in capital assets, net of related debt	254,838,506	10,584,112	265,422,618
Restricted for:			
Debt service	4,228,174	-	4,228,174
Capital projects	24,968,993	-	24,968,993
Educational programs	20,463,578	-	20,463,578
Other activities	3,228,415	-	3,228,415
Unrestricted	25,407,611	7,384,349	32,791,960
Total Net Assets	<u>\$ 333,135,277</u>	<u>\$ 17,968,461</u>	<u>\$ 351,103,738</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 148,947,651	\$ 1,025,020	\$ 28,499,114	\$ 21,398,381
Instruction-related activities:				
Supervision of instruction	16,544,107	289,351	15,674,730	-
Instructional library, media, and technology	3,490,085	-	179,146	-
School site administration	17,123,521	-	3,122,478	-
Pupil services:				
Home-to-school transportation	3,829,443	-	926,583	-
Food services	-	-	-	-
All other pupil services	11,894,506	-	3,578,273	-
General administration:				
Data processing	3,543,257	-	102,802	-
All other general administration	9,714,462	-	3,465,017	-
Plant services	28,527,576	79,601	932,882	-
Community services	38,334	-	34,690	-
Interest on long-term obligations	3,696,596	-	-	-
Other outgo	664,339	-	477,234	-
Total Governmental Activities	248,013,877	1,393,972	56,992,949	21,398,381
Business-Type Activities				
Food services	13,625,865	2,063,474	12,142,106	-
Total Business-Type Activities	13,625,865	2,063,474	12,142,106	-
Total School District	\$ 261,639,742	\$ 3,457,446	\$ 69,135,055	\$ 21,398,381

General revenues and subventions
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Interagency revenues
 Miscellaneous

Subtotal, General Revenues

Excess (Deficiency) of Revenues Over Expenses Before Transfers

Transfers

Changes in Net Assets

Net Assets - Beginning
 Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (98,025,136)	\$ -	\$ (98,025,136)
(580,026)	-	(580,026)
(3,310,939)	-	(3,310,939)
(14,001,043)	-	(14,001,043)
(2,902,860)	-	(2,902,860)
-	-	-
(8,316,233)	-	(8,316,233)
(3,440,455)	-	(3,440,455)
(6,249,445)	-	(6,249,445)
(27,515,093)	-	(27,515,093)
(3,644)	-	(3,644)
(3,696,596)	-	(3,696,596)
(187,105)	-	(187,105)
<u>(168,228,575)</u>	<u>-</u>	<u>(168,228,575)</u>
-	579,715	579,715
-	579,715	579,715
<u>(168,228,575)</u>	<u>579,715</u>	<u>(167,648,860)</u>
11,531,882	-	11,531,882
4,239,091	-	4,239,091
199,057	-	199,057
156,091,061	-	156,091,061
1,449,868	34,693	1,484,561
191,376	-	191,376
18,564,679	-	18,564,679
<u>192,267,014</u>	<u>34,693</u>	<u>192,301,707</u>
24,038,439	614,408	24,652,847
<u>(3,029,451)</u>	<u>3,029,451</u>	<u>-</u>
21,008,988	3,643,859	24,652,847
312,126,289	14,324,602	326,450,891
<u>\$ 333,135,277</u>	<u>\$ 17,968,461</u>	<u>\$ 351,103,738</u>

RIALTO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 35,278,657	\$ 26,800,574	\$ 14,196,248	\$ 76,275,479
Receivables	35,964,956	147,276	123,932	36,236,164
Due from other funds	1,039,724	-	188,222	1,227,946
Prepaid expenditures	453,650	-	-	453,650
Stores inventories	141,428	-	-	141,428
Total Assets	\$ 72,878,415	\$ 26,947,850	\$ 14,508,402	\$ 114,334,667
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,861,186	\$ 5,251,231	\$ 1,747,660	\$ 22,860,077
Due to other funds	214,130	-	487,321	701,451
Deferred revenue	3,407,680	-	-	3,407,680
Total Liabilities	19,482,996	5,251,231	2,234,981	26,969,208
FUND BALANCES				
Reserved:				
Revolving cash	50,000	-	-	50,000
Stores inventories	141,428	-	-	141,428
Prepaid expenditures	453,650	-	-	453,650
Legally restricted balances	20,463,578	-	-	20,463,578
Unreserved:				
Designated	6,732,253	-	-	6,732,253
Undesignated, reported in:				
General Fund	25,554,510	-	-	25,554,510
Special revenue funds	-	-	3,228,415	3,228,415
Debt service funds	-	-	5,339,749	5,339,749
Capital projects funds	-	21,696,619	3,705,257	25,401,876
Total Fund Balances	53,395,419	21,696,619	12,273,421	87,365,459
Total Liabilities and Fund Balances	\$ 72,878,415	\$ 26,947,850	\$ 14,508,402	\$ 114,334,667

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balance - Governmental Funds		\$ 87,365,459
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 435,529,742	
Accumulated depreciation is	<u>(108,052,699)</u>	327,477,043
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,476,175
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,111,575)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		786,808
Long-term obligations, including General Obligation Bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
1999 General Obligation Bonds	(52,307,503)	
2006 Certificates of Participation	(4,590,000)	
1997 Refunding Certificates of Participation	(10,260,000)	
Premium on debt issuances	(542,665)	
Discount on debt issuances	15,764	
Child Care Facilities Revolving Fund	(680,420)	
City of Rialto Redevelopment Agency Loan	(5,957,818)	
Supplemental early retirement plan	(2,150,000)	
Estimated insurance claims	(369,110)	
Accumulated vacation (net)	(698,406)	
Other postemployment benefits (OPEB)	<u>(5,318,475)</u>	
Total Long-Term Obligations		<u>(82,858,633)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 333,135,277</u></u>

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

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 153,850,101	\$ -	\$ 577,770	\$ 154,427,871
Federal sources	31,151,195	-	6,227	31,157,422
Other State sources	41,605,298	20,593,185	3,409,334	65,607,817
Other local sources	14,673,265	861,871	6,123,543	21,658,679
Total Revenues	<u>241,279,859</u>	<u>21,455,056</u>	<u>10,116,874</u>	<u>272,851,789</u>
EXPENDITURES				
Current				
Instruction	135,680,113	-	2,535,292	138,215,405
Instruction-related activities:				
Supervision of instruction	16,101,794	-	258,287	16,360,081
Instructional library, media, and technology	3,448,515	-	-	3,448,515
School site administration	16,299,686	-	600,944	16,900,630
Pupil services:				
Home-to-school transportation	4,002,425	-	-	4,002,425
All other pupil services	11,344,225	-	45,950	11,390,175
General administration:				
Data processing	3,460,354	-	-	3,460,354
All other general administration	8,955,940	-	219,947	9,175,887
Plant services	25,797,179	-	1,646,620	27,443,799
Facility acquisition and construction	745,040	23,499,259	4,519,755	28,764,054
Community services	37,734	-	-	37,734
Other outgo	664,339	-	-	664,339
Debt service				
Principal	-	-	3,269,557	3,269,557
Interest and other	-	-	2,896,349	2,896,349
Total Expenditures	<u>226,537,344</u>	<u>23,499,259</u>	<u>15,992,701</u>	<u>266,029,304</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>14,742,515</u>	<u>(2,044,203)</u>	<u>(5,875,827)</u>	<u>6,822,485</u>
Other Financing Sources (Uses)				
Transfers in	327,497	-	2,921,427	3,248,924
Transfers out	<u>(2,598,444)</u>	<u>(322,983)</u>	<u>(327,497)</u>	<u>(3,248,924)</u>
Net Financing Sources (Uses)	<u>(2,270,947)</u>	<u>(322,983)</u>	<u>2,593,930</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	12,471,568	(2,367,186)	(3,281,897)	6,822,485
Fund Balance - Beginning	40,923,851	24,063,805	15,555,318	80,542,974
Fund Balance - Ending	<u>\$ 53,395,419</u>	<u>\$ 21,696,619</u>	<u>\$ 12,273,421</u>	<u>\$ 87,365,459</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND
BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2009**

Total Net Change in Fund Balances - Governmental Funds	\$ 6,822,485
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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.	
Capital outlays	\$ 23,253,427
Depreciation expense	<u>(8,890,523)</u>
	14,362,904
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.	(818,634)
In the statement of activities, a capital contribution for capital assets was made from governmental activities to business-type activities. However, in the governmental funds, the contribution would not be reported as there has been no flow of current financial resources.	3,029,451
An internal service fund is used by the District's management to charge the costs of the deductible portion of property and liability claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	19,161
In the statement of activities, certain operating expenses - insurance claims are measured by the amounts incurred during the year based upon actuarial assumptions. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The claims liability paid was less than the amounts incurred.	(69,110)
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 an expense. The actual amount of the contribution was less than the annual required contribution.	(2,676,899)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) 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). Vacation earned was less than the amounts used by \$20,320. Special termination benefits earned were more than amounts paid by \$2,150,000.	(2,129,680)

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued)
JUNE 30, 2009**

Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:

1999 General Obligation Bonds	\$ 2,510,000
2006 Certificates of Participation	110,000
1997 Refunding Certificates of Participation	330,000
Child Care Facilities Revolving Fund	197,014
City of Rialto Redevelopment Agency Loan	122,543

If debt is issued at a discount or a premium in governmental funds, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide financial statements, the premium or discount is amortized as interest over the life of the debt. The difference between the premium/discount recognized in the current period and the amortization for the period is: 29,198

Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide financial statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (67,683)

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 additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation increased by \$51,786 and second, \$709,976 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (761,762)

Change in Net Assets of Governmental Activities	<u>\$ 21,008,988</u>
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The accompanying notes are an integral part of these financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Business-Type Activities Enterprise Fund	Governmental Activities - Internal Service Fund
	Food Service	
ASSETS		
Current Assets		
Deposits and investments	\$ 5,865,187	\$ 783,126
Receivables	1,617,676	3,682
Due from other funds	88,359	-
Stores inventories	429,267	-
Total Current Assets	8,000,489	786,808
Noncurrent Assets		
Capital assets	13,800,617	-
Less: accumulated depreciation	(3,216,505)	-
Total Noncurrent Assets	10,584,112	-
Total Assets	18,584,601	786,808
LIABILITIES		
Current Liabilities		
Accounts payable	1,286	-
Due to other funds	614,854	-
Total Current Liabilities	616,140	-
NET ASSETS		
Invested in capital assets	10,584,112	-
Unrestricted	7,384,349	786,808
Total Net Assets	\$ 17,968,461	\$ 786,808

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Fund	Governmental Activities - Internal Service Fund
	Food Service	
OPERATING REVENUES		
Food service sales	\$ 2,063,474	\$ -
Total Operating Revenues	2,063,474	-
OPERATING EXPENSES		
Payroll costs	4,710,435	-
Professional and contract services	158,094	-
Supplies and materials	7,202,257	-
Other operating cost	1,078,123	-
Depreciation expense	476,956	-
Total Operating Expenses	13,625,865	-
Operating Loss	(11,562,391)	-
NONOPERATING REVENUES		
Interest income	34,693	19,161
Federal grants	11,274,885	-
Other grants	867,221	-
Total Nonoperating Revenues	12,176,799	19,161
Income Before Capital Contributions	614,408	19,161
Capital Contributions	3,029,451	-
Change in Net Assets	3,643,859	19,161
Total Net Assets - Beginning	14,324,602	767,647
Total Net Assets - Ending	\$ 17,968,461	\$ 786,808

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,042,999	\$ -
Cash payments to other suppliers of goods or services	(6,578,140)	-
Cash payments to employees for services	(4,667,290)	-
Other operating cash payments	(1,078,123)	-
Net Cash Used by Operating Activities	<u>(10,280,554)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	11,417,648	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	34,693	16,926
Net Cash Provided by Investing Activities	<u>34,693</u>	<u>16,926</u>
Net Increase in Cash and Cash Equivalents	<u>1,171,787</u>	<u>16,926</u>
Cash and Cash Equivalents - Beginning	<u>4,693,400</u>	<u>766,200</u>
Cash and Cash Equivalents - Ending	<u>\$ 5,865,187</u>	<u>\$ 783,126</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Services	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (11,562,391)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	476,956	-
Commodities	816,066	-
Changes in assets and liabilities:		
Receivables	3,986	-
Due from other funds	(24,461)	-
Stores inventories	(14,067)	-
Accounts payable	(19,788)	-
Due to other funds	43,145	-
NET CASH USED FOR OPERATING ACTIVITIES	\$ (10,280,554)	\$ -

**NONCASH, NONCAPITAL
FINANCING ACTIVITIES**

During the year, the District received \$816,066 of food commodities from the U.S. Department of Agriculture.

**NONCASH, CAPITAL
FINANCING ACTIVITIES**

During the year, the District received \$3,029,451 of capital contributions for capital assets from the Special Reserve Capital Outlay Fund.

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

RIALTO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Agency Funds
ASSETS	
Deposits and investments	\$ 704,711
Receivables	8,296
Prepaid expenses	3,000
Stores inventories	8,078
Total Assets	\$ 724,085
LIABILITIES	
Accounts payable	\$ 60,978
Due to student groups	663,107
Total Liabilities	\$ 724,085

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Rialto Unified School District (the District) was unified on July 1, 1964, 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-12 as mandated by the State and/or Federal agencies. The District operates eighteen elementary schools, five middle schools, three high schools, one continuation high school, an alternative high school, an adult school, a preschool program, and an infant program.

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 Rialto Unified School District, this includes general operations, food service, 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. 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 District and the Rialto Unified School District School Facilities Corporation (the Corporation), as represented by the 1997 Refunding Certificates of Participation and the 2006 Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activity of the Corporation has been included in the financial statements of the District. The financial statements present the Corporation's financial activity within the Special Reserve for Capital Outlay Fund and the COP Debt Service Fund. All debt instruments issued by the Corporation are included as long-term obligations in the government-wide financial statements.

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. The District reports no such component units.

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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.).

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 or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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).

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

Debt Service Funds The Debt Service funds are established to account for the accumulation of resources for and the payment of principal and interest on 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).

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Food Service major enterprise fund of the District accounts for the financial transactions related to the food service operations of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and vision self-insurance program where reserves for claims are held in the internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 student body activities (ASB).

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 segment of the business-type activities of the District and for each governmental program, and exclude 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 assets 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 assets 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 and proprietary 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.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Investments

Investments held at June 30, 2009, 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.

Stores Inventories

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

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 \$10,000, effective July 1, 2008. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. 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 are 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/ infrastructure, 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 governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned and reported on the government-wide statement of net assets. 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, credit for unused sick leave is applicable to all classified school members 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, capital leases, and long-term loans 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, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Fund Balance Reserves and Designations

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available. The government-wide financial statements reports \$52,889,160 of restricted net assets subject to enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the *Statement of Activities*, except for the net residual amounts transferred between governmental and business-type activities.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 77,058,605
Business-type activities	5,865,187
Fiduciary funds	704,711
Total Deposits and Investments	<u>\$ 83,628,503</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 6,569,898
Cash in revolving	50,000
Cash with fiscal agent/trustee	572,940
Investments	76,435,665
Total Deposits and Investments	<u>\$ 83,628,503</u>

Policies and Practices

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 holding the majority of its investments in the San Bernardino County Investment Pool. The pool purchases shorter term investments and attempts to time 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 and liquidity needed for operations. The District maintains an investment with the San Bernardino County Investment Pool with a fair value of approximately \$76,997,447. The average weighted maturity for this pool is 371 days. In addition, the District maintains an investment of \$24,612 with First American Treasury Obligations Money Market Mutual Funds. Fair value for this investment approximates the stated value of \$24,612, and this investment has an average weighted maturity of 46 days.

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 investment with the San Bernardino County Investment Pool is rated Aaa by Moody's Investor Service. The investment in First American Treasury Obligations Money Market Mutual Funds is also rated Aaa by Moody's.

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, 2009, the District's bank balance of \$5,285,108 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Fund
Federal Government							
Categorical aid	\$ 9,440,930	\$ -	\$ 4,670	\$ -	\$ 9,445,600	\$ 1,569,660	\$ -
State Government							
Apportionment	20,698,921	-	79,752	-	20,778,673	-	-
Categorical aid	2,215,508	-	-	-	2,215,508	46,785	-
Lottery	1,730,054	-	-	-	1,730,054	-	-
Local Government							
Due from ROP	514,239	-	-	-	514,239	-	-
Interest	187,211	147,165	39,510	3,682	377,568	-	-
Other Local Sources	1,178,093	111	-	-	1,178,204	1,231	8,296
Total	<u>\$ 35,964,956</u>	<u>\$ 147,276</u>	<u>\$ 123,932</u>	<u>\$ 3,682</u>	<u>\$ 36,239,846</u>	<u>\$ 1,617,676</u>	<u>\$ 8,296</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 21,256,732	\$ 18,489,419	\$ -	\$ 39,746,151
Construction in process	67,279,257	24,306,414	43,192,246	48,393,425
Total Capital Assets				
Not Being Depreciated	<u>88,535,989</u>	<u>42,795,833</u>	<u>43,192,246</u>	<u>88,139,576</u>
Capital Assets Being Depreciated				
Land improvements	13,218,205	476,868	11,947	13,683,126
Buildings and improvements	255,542,205	21,753,116	-	277,295,321
Furniture and equipment	53,073,494	4,449,307	1,111,082	56,411,719
Total Capital Assets				
Being Depreciated	<u>321,833,904</u>	<u>26,679,291</u>	<u>1,123,029</u>	<u>347,390,166</u>
Less Accumulated Depreciation				
Land improvements	7,169,053	502,088	1,195	7,669,946
Buildings and improvements	57,064,371	5,881,727	-	62,946,098
Furniture and equipment	35,233,147	2,506,708	303,200	37,436,655
Total Accumulated Depreciation	<u>99,466,571</u>	<u>8,890,523</u>	<u>304,395</u>	<u>108,052,699</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 310,903,322</u>	<u>\$ 60,584,601</u>	<u>\$ 44,010,880</u>	<u>\$ 327,477,043</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 9,063,541	\$ 3,029,451	\$ -	\$ 12,092,992
Furniture and equipment	1,743,726	-	36,101	1,707,625
Total Capital Assets				
Being Depreciated	<u>10,807,267</u>	<u>3,029,451</u>	<u>36,101</u>	<u>13,800,617</u>
Less Accumulated Depreciation				
Buildings and improvements	1,621,397	394,644	-	2,016,041
Furniture and equipment	1,154,253	82,312	36,101	1,200,464
Total Accumulated Depreciation	<u>2,775,650</u>	<u>476,956</u>	<u>36,101</u>	<u>3,216,505</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 8,031,617</u>	<u>\$ 2,552,495</u>	<u>\$ -</u>	<u>\$ 10,584,112</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities

Instruction	\$ 7,201,324
All other pupil services	355,621
All other general administration	444,526
Plant services	889,052
Total Depreciation Expenses Governmental Activities	<u>8,890,523</u>

Business-Type Activities

Food services	476,956
Total Depreciation Expenses All Activities	<u><u>\$ 9,367,479</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, between major and non-major governmental funds, and major enterprise funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Food Service Enterprise Fund	
General Fund	\$ -	\$ 424,870	\$ 614,854	\$ 1,039,724
Non-Major Governmental Funds	188,222	-	-	188,222
Food Service Enterprise Fund	25,908	62,451	-	88,359
Total	<u>\$ 214,130</u>	<u>\$ 487,321</u>	<u>\$ 614,854</u>	<u>\$ 1,316,305</u>

The balance of \$614,854 due to the General Fund from the Food Service Enterprise Fund resulted from salaries and benefits to be reimbursed.

A balance of \$351,258 due to the General Fund from the Adult Education Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

A balance of \$73,612 due to the General Fund from the Child Development Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

A balance of \$178,879 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from the receipt of revenue in the General Fund apportioned to the Child Development Fund.

A balance of \$9,343 due to the Adult Education Non-Major Governmental Fund from the General Fund is for the reimbursement of program costs.

The balance of \$25,908 due to the Food Service Enterprise Fund from the General Fund resulted from catering services to be reimbursed.

The balance of \$62,451 due to the Food Service Enterprise Fund from the Special Reserve for Capital Outlay Non-Major Governmental Fund is for the reimbursement of modernization costs.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 327,497	\$ 327,497
Non-Major Governmental Funds	2,598,444	322,983	-	2,921,427
Total	<u>\$ 2,598,444</u>	<u>\$ 322,983</u>	<u>\$ 327,497</u>	<u>\$ 3,248,924</u>

The General Fund transferred to the following Non-Major Governmental Funds:

Adult Education Fund for lottery transfer.	\$ 25,540	
Child Development Fund for Cal-Safe program costs.	178,880	
Deferred Maintenance Fund for repair and maintenance.	1,277,874	
COP Debt Service Fund for debt service payment.	<u>1,116,150</u>	\$ 2,598,444

The County School Facilities Fund transferred to the Special Reserve Fund for Capital Outlay Non-Major Governmental Fund for E-Rate projects.

322,983

The Adult Education Non-Major Governmental Fund transferred to the General Fund as a result of the flexibility provisions in SBX 4 3.

327,497

Total

\$ 3,248,924

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Food Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ 9,793,651	\$ -	\$ 193,409	\$ 9,987,060	\$ -	\$ -
Books and supplies	1,360,816	-	335,005	1,695,821	-	-
Services	4,350,147	85,525	158,512	4,594,184	-	-
Construction	61,020	5,161,659	1,002,225	6,224,904	-	-
All other payables	295,552	4,047	58,509	358,108	1,286	60,978
Total	<u>\$ 15,861,186</u>	<u>\$ 5,251,231</u>	<u>\$ 1,747,660</u>	<u>\$ 22,860,077</u>	<u>\$ 1,286</u>	<u>\$ 60,978</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 3,401,623
State categorical aid	6,057
Total	<u>\$ 3,407,680</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance			Balance	Due in
	July 1, 2008	Additions	Deductions	June 30, 2009	One Year
1999 General Obligation Bonds, Series A	\$ 17,092,527	\$ 709,976	\$ 1,325,000	\$ 16,477,503	\$1,390,000
1999 General Obligation Bonds, Series B	18,130,000	-	600,000	17,530,000	620,000
Premium on Issuance	277,303	-	15,371	261,932	-
1999 General Obligation Bonds, Series C	18,885,000	-	585,000	18,300,000	605,000
Premium on Issuance	280,965	-	14,048	266,917	-
2006 Certificates of Participation	4,700,000	-	110,000	4,590,000	120,000
Discount on Issuance	(16,481)	-	(717)	(15,764)	-
1997 Refunding Certificates of Participation	10,590,000	-	330,000	10,260,000	350,000
Premium on Issuance	842	-	42	800	-
Child Care Facilities Revolving Fund	877,434	-	197,014	680,420	197,014
City of Rialto Redevelopment Agency Loan	6,080,361	-	122,543	5,957,818	78,952
Premium on Issuance	13,470	-	454	13,016	-
Supplemental Early Retirement Plan (SERP)	-	2,150,000	-	2,150,000	430,000
Estimated insurance claims	300,000	69,110	-	369,110	-
Accumulated vacation - net	718,726	-	20,320	698,406	-
Other postemployment benefits	2,641,576	3,710,461	1,033,562	5,318,475	-
	<u>\$ 80,571,723</u>	<u>\$6,639,547</u>	<u>\$4,352,637</u>	<u>\$ 82,858,633</u>	<u>\$3,790,966</u>

Payments for the 1999 General Obligation Bonds are made from the Bond Interest and Redemption Fund. The 1997 Refunding Certificates of Participation and 2006 Certificates of Participation are paid from the COP Debt Service Fund. Payments for the Child Care Facilities Revolving Fund debt are made from the Child Development Fund. Supplemental Early Retirement Plan (SERP) payments are made from the General Fund. Payments for the City of Rialto Redevelopment Agency Loan are made by the Capital Facilities Fund. The accumulated vacation liability will be paid from the fund from which the employee was paid.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted	Redeemed	Bonds Outstanding End of Year
6/1/2000	2025	4.75-6.25%	\$ 19,995,038	\$ 17,092,527	\$ 709,976	\$ 1,325,000	\$ 16,477,503
1/24/2003	2027	4.00-6.00%	20,000,000	18,130,000	-	600,000	17,530,000
5/5/2004	2028	3.00-5.125%	20,000,000	18,885,000	-	585,000	18,300,000
				<u>\$ 54,107,527</u>	<u>\$ 709,976</u>	<u>\$ 2,510,000</u>	<u>\$ 52,307,503</u>

1999 General Obligation Refunding Bonds, Series A

On June 1, 2000, the District issued current and capital appreciation, 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038 (accreting to \$38,730,000) in order to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2025, with interest rates varying from 4.75 to 6.25 percent. At June 30, 2009, 1999 General Obligation Refunding Bonds, Series A, totaling \$16,477,503 were still outstanding.

1999 General Obligation Bonds, Series B

On January 24, 2003, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series B. The Bonds were issued at an aggregate price of \$20,000,000 (representing the principal amount of \$20,000,000 plus original issue premium of \$368,915 less underwriter's discount of \$241,515, and additional issuance related costs of \$127,400). The bonds have a maturity date of August 1, 2027, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the sale of the bonds were used to finance the cost of acquisition or improvement of real property, including the construction and equipping of certain school facilities and improvements within and for the District. Unamortized premium on issuance was \$261,932 as of June 30, 2009. Deferred costs on issuance, including underwriter's discount and other issuance related costs outstanding, were \$261,932 as of June 30, 2009. At June 30, 2009, 1999 General Obligation Bonds, Series B totaling \$17,530,000 were still outstanding.

1999 General Obligation Bond, Series C

On May 5, 2004, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series C. The bonds were issued at an aggregate price of \$20,037,557 (representing the principal amount of \$20,000,000 plus original issue premium of \$337,157 less underwriter's discount of \$96,600 and additional issuance related costs of \$203,000). The bonds have a maturity date of August 1, 2028, with interest rates varying from 3.00 to 5.125 percent. Proceeds from the sale of the bonds will be used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized premium on issuance as of June 30, 2009, was \$266,917. Deferred costs on issuance, including underwriter's discount and other issuance related costs totaling \$237,185, were outstanding as of June 30, 2009. As of June 30, 2009, 1999 General Obligation Bonds, Series C totaling \$18,300,000 were still outstanding.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The 1999 General Obligation Bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2010	\$ 2,615,000	\$ -	\$ 1,901,515	\$ 4,516,515
2011	2,735,000	-	1,770,153	4,505,153
2012	2,875,000	-	1,626,828	4,501,828
2013	2,665,215	355,914	1,474,715	4,495,844
2014	2,643,599	432,185	1,413,468	4,489,252
2015-2019	13,196,980	3,159,383	6,094,687	22,451,050
2020-2024	13,780,653	4,554,999	4,008,272	22,343,924
2025-2029	11,796,056	1,038,944	1,299,406	14,134,406
Total	<u>\$ 52,307,503</u>	<u>\$ 9,541,425</u>	<u>\$ 19,589,044</u>	<u>\$ 81,437,972</u>

2006 Certificates of Participation

In June 2006, the District issued the 2006 Certificates of Participation in the amount of \$4,770,000. The Certificates were issued at an aggregate price of \$4,500,000 (representing the principal amount of \$4,770,000 less discount on issuance of \$17,915 and less issuance costs of \$252,085). The Certificates have a maturity date of September 1, 2031, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, will be used to finance the cost of acquisition and improvement of certain school facilities and land. Unamortized discount on issuance was \$15,764 as of June 30, 2009. Deferred costs on issuance totaling \$221,836 were outstanding as of June 30, 2009. At June 30, 2009, 2006 Certificates of Participation totaling \$4,590,000 were still outstanding.

The Certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 120,000	\$ 199,250	\$ 319,250
2011	125,000	191,900	316,900
2012	135,000	184,100	319,100
2013	140,000	177,513	317,513
2014	145,000	172,256	317,256
2015-2019	815,000	771,153	1,586,153
2020-2024	1,000,000	586,553	1,586,553
2025-2029	960,000	299,469	1,259,469
2030-2032	1,150,000	108,981	1,258,981
Total	<u>\$ 4,590,000</u>	<u>\$ 2,691,175</u>	<u>\$ 7,281,175</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1997 Refunding Certificates of Participation

In September 1997, the District issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. Unamortized premium on issuance was \$800 as of June 30, 2009. Deferred costs on issuance totaling \$146,693 were outstanding as of June 30, 2009. As of June 30, 2009, 1997 Refunding Certificates of Participation totaling \$10,260,000 were still outstanding.

The Certificates mature through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 350,000	\$ 454,299	\$ 804,299
2011	360,000	442,054	802,054
2012	380,000	429,046	809,046
2013	395,000	414,753	809,753
2014	420,000	398,946	818,946
2015-2019	2,400,000	1,707,786	4,107,786
2020-2024	3,000,000	1,104,698	4,104,698
2025-2028	2,955,000	303,875	3,258,875
Total	<u>\$ 10,260,000</u>	<u>\$ 5,255,457</u>	<u>\$ 15,515,457</u>

Child Care Facilities Revolving Fund

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program bringing a total to date of fourteen agreements entered into. This program provides up to \$150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2009, the outstanding balance was \$680,420.

Year Ending June 30,	Total Payments
2010	\$ 197,014
2011	197,014
2012	143,392
2013	39,000
2014	26,000
2015-2017	78,000
Total	<u>\$ 680,420</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

City of Rialto Redevelopment Agency Loan

During 2005, the District entered into an agreement with the City of Rialto Redevelopment Agency (RDA) for a loan of \$2,717,131 for the purpose of financing the cost of labor and materials for the design, installation and/or construction of a football stadium at Rialto High School. Proceeds of the loan were issued at an aggregate price of \$2,460,000 (representing the principal amount of \$2,717,131 plus a pro-rata share of the original issue premium determined to be \$55,847, less the pro-rata share of costs of issuance determined to be \$312,978). \$976,242 of the proceeds were used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA. The remaining proceeds are to be held by the RDA and deposited in a school district assistance sub-account with disbursement of said funds upon requisition by the District. The loan is to be repaid by retaining pass-through payments due the District in amounts as noted on the debt service schedule below.

During 2008, the District borrowed an additional \$3,390,000 to complete the project. Proceeds from the loan were issued at an aggregate price of \$3,000,000 (representing the principal amount of \$3,390,000 plus a pro-rata share of the original issue premium determined to be \$13,621, less the pro-rata share of costs of issuance determined to be \$403,621). As of June 30, 2009, the outstanding balance was \$5,957,818. Unamortized premium and costs of issuance at June 30, 2009, were \$13,016 and \$608,529, respectively.

The debt service schedule for the loan is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 78,952	\$ 303,865	\$ 382,817
2011	78,952	300,947	379,899
2012	84,656	298,028	382,684
2013	86,065	294,864	380,929
2014	86,770	291,570	378,340
2015-2019	507,234	1,399,888	1,907,122
2020-2024	628,230	1,271,901	1,900,131
2025-2029	807,680	1,091,825	1,899,505
2030-2034	2,176,323	751,648	2,927,971
2035-2036	1,422,956	177,353	1,600,309
Total	<u>\$ 5,957,818</u>	<u>\$ 6,181,889</u>	<u>\$ 12,139,707</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Supplementary Early Retirement Plan (SERP)

During 2009, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 43 employees who retired during the 2008-2009 school year, were purchased from United of Pacific Life Insurance Company. As of June 30, 2009, the balance remaining was \$2,150,000. Future payments are as follows:

Year Ending June 30,	Total Payments
2010	\$ 430,000
2011	430,000
2012	430,000
2013	430,000
2014	430,000
Total	<u>\$ 2,150,000</u>

Estimated Insurance Claims

Liabilities for claims for all dental and vision cases are established based on estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balance as of June 30, 2009, of \$369,110 were estimated and are reflected as an expenditure in the year payable from available resources. These claims are paid by the District's General Fund.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$698,406.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was \$3,750,229 and contributions made by the District during the year were \$1,033,562. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$132,079 and \$171,838, respectively, which resulted in a net OPEB obligation of \$5,318,475. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - FUND BALANCES

Fund balance with reservations/designations is composed of the following elements:

	<u>General Fund</u>
Reserved	
Revolving cash	\$ 50,000
Stores inventories	141,428
Prepaid expenditures	453,650
Restricted programs	20,463,578
Total Reserved	<u>21,108,656</u>
Unreserved	
Designated	
Economic uncertainties	6,732,253
Undesignated	25,554,510
Total Unreserved	<u>32,286,763</u>
Total	<u>\$ 53,395,419</u>

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT
BENEFITS (OPEB) OBLIGATION**

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Rialto Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 143 retirees currently receiving benefits, 35 terminated plan members entitled to but not yet receiving benefits, and 2,231 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), 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 2008-09, the District contributed \$1,033,562 to the Plan, all of which was used for current premiums (approximately 85 percent of total premiums). Retirees contributed \$188,460, or approximately 15 percent, of the total premiums.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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	\$ 3,750,220
Interest on net OPEB obligation	132,079
Adjustment to annual required contribution	<u>(171,838)</u>
Annual OPEB cost (expense)	3,710,461
Contributions made	<u>(1,033,562)</u>
Increase in net OPEB obligation	2,676,899
Net OPEB obligation, beginning of year	<u>2,641,576</u>
Net OPEB obligation, end of year	<u><u>\$ 5,318,475</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended <u>June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 3,714,051	29%	\$ 2,641,576
2009	3,750,220	28%	5,318,475

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 February 1, 2009, actuarial valuation, the projected unit credit cost 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 used was five percent up to an increase of seven 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 June 30, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. Employee health programs are administered by the General Fund through the purchase of commercial insurance. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan. The District operates a dental, vision and life insurance coverage program, for which the District retains risk of loss, that is accounted for in the General Fund. The District also participates in public entity risk pools (JPA's) for various insurance coverages through the JPA's. Refer to Note 14 for additional information regarding the JPA's.

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.

Claims Liabilities

The District records an estimated liability for dental and vision claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2009:

	Dental and Vision
Liability Balance, July 1, 2007	\$ 323,000
Claims and changes in estimates	2,616,904
Claims payments	<u>(2,639,904)</u>
Liability Balance, June 30, 2008	300,000
Claims and changes in estimates	3,103,925
Claims payments	<u>(3,034,815)</u>
Liability Balance, June 30, 2009	<u>\$ 369,110</u>
Assets available to pay claims at June 30, 2009	<u>\$ 786,808</u>

NOTE 12 - 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 the 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, 7919 Folsom Blvd., Sacramento, California 95826.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 2008-09 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, 2009, 2008, and 2007, were \$9,026,620, \$9,280,653, and \$9,350,576, 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 2008-09 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. In accordance with bargaining unit agreements, the District is required to make contributions on behalf of the employee at a rate of 7.0 percent of annual payroll. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$3,236,495, \$3,295,530, and \$3,144,894, respectively, and equal 100 percent of the required contributions for each year.

Alternative Retirement Plan

The District also contributes to the Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 the APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$220,213, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions matched that of the employer's.

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 \$4,942,359 (4.517 percent of annual payroll). 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 13 - 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, 2009.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
9th Grade Campus/Middle School #6	\$ 14,059,038	12/01/09
Elementary #19	12,423,427	05/01/10
	<u>\$ 26,482,465</u>	

Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. These leases have, therefore, not been accounted for as capital leases in the general long-term obligations group of accounts.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2010	\$ 975,960
2011	456,650
Total	<u>\$ 1,432,610</u>

Total expenditures charged for leases during 2009 were \$1,076,059.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Schools Excess Liability Fund (SELF), Protected Insurance Programs for Schools (PIPS), and the Southern California Regional Liability Excess Fund (SoCal ReLiEF) public entity risk pools (JPA's). The District pays an annual premium to each entity for its excess liability coverage, workers' compensation coverage, and property and liability coverage. The relationships between the District and the JPA's 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, 2009, the District made payments of \$55,802, \$3,028,025 and \$755,923 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 16 - SUBSEQUENT EVENT

On July 28, 2009, the Governor of the State of California signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of GASB Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended, or unliquidated categorical program balances identified in the July 2009 State Budget package.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 157,064,310	\$ 153,402,138	\$ 153,850,101	\$ 447,963
Federal sources	17,401,645	38,193,762	31,151,195	(7,042,567)
Other State sources	32,561,678	41,585,096	41,605,298	20,202
Other local sources	15,676,020	14,719,150	14,673,265	(45,885)
Total Revenues ¹	222,703,653	247,900,146	241,279,859	(6,620,287)
EXPENDITURES				
Current				
Instruction	130,004,250	139,309,950	135,680,113	3,629,837
Instruction-related activities				
Supervision of instruction	17,513,377	22,841,333	16,101,794	6,739,539
Instructional library, media and technology	3,635,220	4,161,240	3,448,515	712,725
School site administration	14,667,216	15,420,561	16,299,686	(879,125)
Pupil services				
Home-to-school transportation	4,605,393	4,571,264	4,002,425	568,839
All other pupil services	11,171,846	12,952,094	11,344,225	1,607,869
General administration:				
Data processing	3,609,023	3,848,963	3,460,354	388,609
All other general administration	9,382,712	9,213,815	8,955,940	257,875
Plant services	30,285,243	26,986,379	25,797,179	1,189,200
Facility acquisition and construction	256,556	3,597,923	745,040	2,852,883
Community services	-	-	37,734	(37,734)
Other outgo	650,000	804,080	664,339	139,741
Total Expenditures ¹	225,780,836	243,707,602	226,537,344	17,170,258
Excess (Deficiency) of Revenues Over Expenditures	(3,077,183)	4,192,544	14,742,515	10,549,971
Other Financing Sources (Uses)				
Transfers in	-	-	327,497	327,497
Transfers out	(2,517,759)	(2,598,444)	(2,598,444)	-
Net Financing Sources (Uses)	(2,517,759)	(2,598,444)	(2,270,947)	327,497
NET CHANGE IN FUND BALANCES	(5,594,942)	1,594,100	12,471,568	10,877,468
Fund Balance - Beginning	40,923,851	40,923,851	40,923,851	-
Fund Balance - Ending	\$ 35,328,909	\$ 42,517,951	\$ 53,395,419	\$ 10,877,468

¹ On behalf payments of \$4,942,359 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
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)
February 1, 2007	\$ -	\$ 27,219,215	\$27,219,215	0%	\$ 147,906,482	18%
February 1, 2009	-	18,601,302	18,601,302	0%	143,746,493	13%

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through from California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I Grants to Local Educational Agencies Cluster			
Title I - Part A, Basic Grants	84.010	14329	\$ 9,408,155
Title I - Part A, SAIT- Corrective Action Plan	84.010A	14956	<u>1,114,852</u>
Subtotal - Title I Grants to Local Educational Agencies Cluster			<u>10,523,007</u>
Improving Teacher Quality State Grants Cluster			
Title II - Part A, Improving Teacher Quality	84.367	14341	1,520,433
Title II - Part A, Principal Training	84.367	14344	<u>31,210</u>
Subtotal - Improving Teacher Quality State Grants Cluster			<u>1,551,643</u>
Education Technology State Grants Cluster			
Title II - Part D, Enhancing Education Through Technology Formula Grant	84.318	14334	75,398
Title II - Part D, Enhancing Education Through Technology Competitive Grant	84.318	14368	<u>542,504</u>
Subtotal - Education Technology State Grants Cluster			<u>617,902</u>
English Language Acquisition Grants			
Title III - Immigrant Education	84.365	14346	47,787
Title III - Limited English Proficiency	84.365	10084	<u>907,554</u>
Subtotal - English Language Acquisition Grants Cluster			<u>955,341</u>
Individuals with Disabilities Education Act (IDEA)			
Passed through from East Valley SELPA:			
Special Education (IDEA) Cluster			
Local Assistance	84.027	13379	3,600,022
Preschool Entitlement	84.173	13430	64,853
Preschool Local	84.027A	13682	108,271
Preschool Development	84.173A	13431	<u>109</u>
Subtotal - Special Education (IDEA) Cluster			<u>3,773,255</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
No Child Left Behind Act (NCLB)			
Title I - Part B, Reading First	84.357	14328	\$ 1,621,733
Title I - Part G, Advanced Placement Test Fee	84.330	14831	26,910
Title II - Part B, California Math and Science Partnership	84.366	14512	302,629
Title IV - Safe and Drug-Free Schools	84.186	14347	142,359
Title V - Part A, Innovative Strategies	84.298A	14354	53,180
California Gear-Up Program	84.334A	10088	101,355
Vocational Education and Applied Technology Grant	84.048	13924	<u>231,146</u>
Total for U.S. Department of Education			<u>19,900,460</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Care Development Fund Program Cluster			
Child Development Instructional Materials Grant	93.575	14130	2,721
Child Development Infant and Toddler Grant	93.575	13942	<u>3,506</u>
Subtotal - Child Care Development Fund Program Cluster			<u>6,227</u>
Medi-Cal Assistance Cluster			
Medi-Cal Billing	93.778	10013	35,761
Passed through San Bernardino County Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	<u>682,979</u>
Subtotal - Medi-Cal Assistance Cluster			<u>718,740</u>
Total for U.S. Department of Health and Human Services			<u>724,967</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13390	82,830
Especially Needy Breakfast Program	10.553	13390	1,919,677
Meal Supplements - Snacks	10.556	13392	155,501
National School Lunch Program	10.555	13396	8,300,811
Commodities	10.555	[1]	<u>816,066</u>
Subtotal - Child Nutrition Cluster			<u>11,274,885</u>
Forest Reserve	10.665	10044	<u>58,530</u>
Total for U.S. Department of Agriculture			<u>11,333,415</u>

[1] Direct-funded program, no PCA number.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Army	12.000	JROTC 05055 79 AR RMRIV	\$ 62,587
Junior Reserve Officer Training Corps - Marine	12.000	JROTC05629 86 AF	61,528
Junior Reserve Officer Training Corps - Navy	12.000	JROTC081S	69,711
Total for U.S. Department of Defense			<u>193,826</u>
Total Federal Programs			<u>\$ 32,152,668</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

ORGANIZATION

The Rialto Unified School District was established in 1964, and serves the Rialto area of San Bernardino County. The District operates eighteen elementary schools, five middle schools, three high schools, one continuation high school, an alternative high school, an adult school, a preschool program, and an infant program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. John R. Kazalunas	President	2010
Mr. Joseph Martinez	Vice President	2012
Mr. Michael G. Ridgway	Clerk	2012
Mr. Joseph Ayala	Member	2012
Mrs. Joanne T. Gilbert	Member	2010

ADMINISTRATION

Dr. Harold L. Cebrun, Sr.	Superintendent
Dr. James S. Wallace	Deputy Superintendent/Chief of Staff
Dr. Joseph G. Davis	Deputy Superintendent, Business Services
Ms. Gail Mathews	Assistant Superintendent, Instructional Services
Ms. Anna M. Rodriguez	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Annual Report	Second Period ADA		Increase (Decrease)
		2008-2009	Amended 2007-2008	
ELEMENTARY				
Kindergarten	1,754	1,746	1,974	(228)
First through third	5,818	5,826	6,102	(276)
Fourth through sixth	5,962	5,985	6,188	(203)
Seventh and eighth	3,929	3,937	4,105	(168)
Home and hospital	4	4	7	(3)
Community day school	8	8	4	4
Special education	372	363	366	(3)
Total Elementary	<u>17,847</u>	<u>17,869</u>	<u>18,746</u>	<u>(877)</u>
SECONDARY				
Regular classes	7,120	7,179	7,354	(175)
Continuation education	226	223	169	54
Home and hospital	4	4	4	-
Community day school	2	3	5	(2)
Special education	324	326	323	3
Total Secondary	<u>7,676</u>	<u>7,735</u>	<u>7,855</u>	<u>(120)</u>
Total K-12	<u>25,523</u>	<u>25,604</u>	<u>26,601</u>	<u>(977)</u>
CLASSES FOR ADULTS				
Concurrently enrolled	32	33	50	(17)
Not concurrently enrolled	184	194	209	(15)
Total Classes for Adults	<u>216</u>	<u>227</u>	<u>259</u>	<u>(32)</u>
Grand Total	<u>25,739</u>	<u>25,831</u>	<u>26,860</u>	<u>(1,029)</u>
<u>Hours of Attendance</u>				
SUMMER SCHOOL				
Elementary	-	-	104,317	
Secondary	<u>237,955</u>	<u>237,955</u>	<u>194,103</u>	
Total Hours	<u>237,955</u>	<u>237,955</u>	<u>298,420</u>	

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-1983	1986-1987	2008-2009	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,180	180	176	Complied
Grades 1 - 3	47,520	50,400				
Grade 1			50,846	180	176	Complied
Grade 2			50,846	180	176	Complied
Grade 3			50,846	180	176	Complied
Grades 4 - 6	47,520	54,000				
Grade 4			54,168	180	176	Complied
Grade 5			54,168	180	176	Complied
Grade 6			61,920	180	-	Complied
Grades 7 - 8	61,600	54,000				
Grade 7			61,920	180	-	Complied
Grade 8			61,920	180	-	Complied
Grades 9 - 12	59,840	64,800				
Grade 9			65,085	180	-	Complied
Grade 10			65,085	180	-	Complied
Grade 11			65,085	180	-	Complied
Grade 12			65,085	180	-	Complied

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u>General Fund</u>	<u>Child Development Fund</u>
FUND BALANCE		
Balance, June 30, 2009, Unaudited Actuals	\$ 58,047,821	\$ 909,960
Decrease in:		
Accounts receivable ¹	<u>(4,652,402)</u>	<u>(109,735)</u>
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 53,395,419</u>	<u>\$ 800,225</u>

¹ The adjustment is for the ABX4 3 unappropriated State categorical programs as described in Note 16 - Subsequent Event.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 208,570,477	\$ 241,279,859	\$ 247,047,395	\$ 241,022,100
Other sources and transfers in	-	327,497	744,907	-
Total Revenues and Other Sources	208,570,477	241,607,356	247,792,302	241,022,100
Expenditures	222,783,994	226,537,344	232,560,299	229,397,465
Other uses and transfers out	1,748,391	2,598,444	2,923,094	2,336,548
Total Expenditures and Other Uses	224,532,385	229,135,788	235,483,393	231,734,013
INCREASE (DECREASE) IN FUND BALANCE	\$ (15,961,908)	\$ 12,471,568	\$ 12,308,909	\$ 9,288,087
ENDING FUND BALANCE	\$ 41,085,913	\$ 53,395,419	\$ 40,923,851	\$ 28,614,942
AVAILABLE RESERVES ^{2,5}	\$ 21,237,102	\$ 36,723,079	\$ 24,349,063	\$ 15,140,202
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.5%	16.4%	10.6%	6.7%
LONG-TERM OBLIGATIONS	N/A	\$ 82,858,633	\$ 80,571,723	\$ 77,100,018
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	25,306	25,604	26,601	27,430

The General Fund balance has increased by \$24,780,477 over the past two years. The fiscal year 2009-10 budget projects a decrease of \$15,961,908. 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 each of the past three years, but anticipates incurring an operating deficit during the 2009-10 fiscal year. Total long-term obligations have increased by \$5,758,615 over the past two years.

Average daily attendance has decreased by 1,826 over the past two years. A decline of 298 ADA is anticipated during fiscal year 2009-10.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ On-behalf payments of \$4,942,359, \$5,082,034, and \$5,119,584, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2009, 2008, and 2007, respectively.

⁴ Excludes Adult Education ADA.

⁵ The District recorded the revenue and related receivable associated with its portion of the 2008-09 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-10 re-appropriation in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. In accordance with GASB Statement No. 33, an adjustment to reduce revenue and the related receivable has been included in these financial statements. (See Note 16 - Subsequent Event) California *Education Code* Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$4,436,316 of unappropriated revenues have been included in the Available Reserves totals that are not reflected in the Audited Financial Statements.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 450,107	\$ 956,665	\$ 2,333,676
Receivables	82,034	10,533	7,182
Due from other funds	9,343	178,879	-
Total Assets	\$ 541,484	\$ 1,146,077	\$ 2,340,858
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,207	\$ 272,240	\$ 91,687
Due to other funds	351,258	73,612	-
Total Liabilities	362,465	345,852	91,687
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	179,019	800,225	2,249,171
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	179,019	800,225	2,249,171
Total Liabilities and Fund Balances	\$ 541,484	\$ 1,146,077	\$ 2,340,858

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 207,930	\$ 3,927,663	\$ 980,861	\$ 5,294,821	\$ 44,525	\$ 14,196,248
978	17,427	5,375	-	403	123,932
-	-	-	-	-	188,222
<u>\$ 208,908</u>	<u>\$ 3,945,090</u>	<u>\$ 986,236</u>	<u>\$ 5,294,821</u>	<u>\$ 44,928</u>	<u>\$ 14,508,402</u>
\$ 191,476	\$ 482,218	\$ 698,832	\$ -	\$ -	\$ 1,747,660
-	-	62,451	-	-	487,321
<u>191,476</u>	<u>482,218</u>	<u>761,283</u>	<u>-</u>	<u>-</u>	<u>2,234,981</u>
-	-	-	-	-	3,228,415
-	-	-	5,294,821	44,928	5,339,749
17,432	3,462,872	224,953	-	-	3,705,257
<u>17,432</u>	<u>3,462,872</u>	<u>224,953</u>	<u>5,294,821</u>	<u>44,928</u>	<u>12,273,421</u>
<u>\$ 208,908</u>	<u>\$ 3,945,090</u>	<u>\$ 986,236</u>	<u>\$ 5,294,821</u>	<u>\$ 44,928</u>	<u>\$ 14,508,402</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 577,770	\$ -	\$ -
Federal sources	-	6,227	-
Other State sources	-	3,409,334	-
Other local sources	29,213	51,052	47,865
Total Revenues	606,983	3,466,613	47,865
EXPENDITURES			
Current			
Instruction	275,456	2,259,836	-
Instruction-related activities:			
Supervision of instruction	137,136	121,151	-
School site administration	-	600,944	-
Pupil services:			
All other pupil services	4,091	41,859	-
General administration:			
All other general administration	19,762	200,185	-
Plant services	17,059	92,608	749,112
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	197,014	-
Interest and other	-	-	-
Total Expenditures	453,504	3,513,597	749,112
Excess (Deficiency) of Revenues Over Expenditures	153,479	(46,984)	(701,247)
Other Financing Sources (Uses)			
Transfers in	25,540	178,880	1,277,874
Transfers out	(327,497)	-	-
Net Financing Sources (Uses)	(301,957)	178,880	1,277,874
NET CHANGE IN FUND BALANCES	(148,478)	131,896	576,627
Fund Balance - Beginning	327,497	668,329	1,672,544
Fund Balance - Ending	\$ 179,019	\$ 800,225	\$ 2,249,171

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,770
-	-	-	-	-	6,227
-	-	-	-	-	3,409,334
6,498	1,373,849	41,462	4,569,234	4,370	6,123,543
<u>6,498</u>	<u>1,373,849</u>	<u>41,462</u>	<u>4,569,234</u>	<u>4,370</u>	<u>10,116,874</u>
-	-	-	-	-	2,535,292
-	-	-	-	-	258,287
-	-	-	-	-	600,944
-	-	-	-	-	45,950
-	-	-	-	-	219,947
-	787,841	-	-	-	1,646,620
215,929	3,456,614	847,212	-	-	4,519,755
-	122,543	-	2,510,000	440,000	3,269,557
-	208,494	-	2,016,878	670,977	2,896,349
<u>215,929</u>	<u>4,575,492</u>	<u>847,212</u>	<u>4,526,878</u>	<u>1,110,977</u>	<u>15,992,701</u>
<u>(209,431)</u>	<u>(3,201,643)</u>	<u>(805,750)</u>	<u>42,356</u>	<u>(1,106,607)</u>	<u>(5,875,827)</u>
-	-	322,983	-	1,116,150	2,921,427
-	-	-	-	-	(327,497)
-	-	322,983	-	1,116,150	2,593,930
<u>(209,431)</u>	<u>(3,201,643)</u>	<u>(482,767)</u>	<u>42,356</u>	<u>9,543</u>	<u>(3,281,897)</u>
<u>226,863</u>	<u>6,664,515</u>	<u>707,720</u>	<u>5,252,465</u>	<u>35,385</u>	<u>15,555,318</u>
<u>\$ 17,432</u>	<u>\$ 3,462,872</u>	<u>\$ 224,953</u>	<u>\$ 5,294,821</u>	<u>\$ 44,928</u>	<u>\$ 12,273,421</u>

RIALTO UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

(Amounts in thousands, excluding Revenue Limit Per ADA)

	Actual Results for the Years					
	2008-2009		2007-2008		2006-2007	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 31,151	12.9	\$ 19,368	7.9	\$ 20,655	8.5
Revenue limit revenue	153,850	63.8	161,544	65.4	159,249	66.1
Special education revenue	9,243	3.8	11,552	4.7	11,367	4.7
Lottery revenue	3,280	1.4	3,774	1.5	4,255	1.8
Other State revenue	40,270	16.7	46,731	18.9	41,134	17.1
Interest revenue	1,237	0.5	1,804	0.7	1,478	0.6
Other local revenue	2,248	0.9	2,274	0.9	2,884	1.2
Total Revenues	241,279	100.0	247,047	100.0	241,022	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	110,959	46.0	113,798	46.1	114,581	47.5
Classified salaries	34,046	14.1	34,319	13.9	34,130	14.2
Employee benefits	46,416	19.2	46,858	19.0	47,219	19.6
Total Salaries and Benefits	191,421	79.3	194,975	79.0	195,930	81.3
Books and supplies	10,683	4.4	11,731	4.7	10,422	4.3
Contracts and operating expenses	23,112	9.6	24,066	9.7	21,652	9.0
Capital outlay	1,460	0.6	1,924	0.8	1,575	0.7
Other outgo	(139)	(0.1)	(136)	(0.1)	(182)	(0.1)
Total Expenditures	226,537	93.8	232,560	94.1	229,397	95.2
EXCESS OF REVENUES OVER EXPENDITURES	14,742	6.2	14,487	5.9	11,625	4.8
OTHER FINANCING USES						
Net financing uses	(2,271)	(0.9)	(2,178)	(0.9)	(2,337)	(1.0)
INCREASE IN FUND BALANCE	12,471	5.3	12,309	5.0	9,288	3.8
FUND BALANCE, BEGINNING	40,924		28,615		19,327	
FUND BALANCE, ENDING	\$ 53,395		\$ 40,924		\$ 28,615	
ENDING FUND BALANCE TO TOTAL REVENUES		22.1		11.9		8.8
* * * * *						
BASE REVENUE LIMIT PER ADA						
Regular	\$ 6,117		\$ 5,788		\$ 5,536	
Adult	\$ 2,645		\$ 2,645		\$ 2,531	

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2008-2009		2007-2008		2006-2007	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	\$ 11,275	79.2	\$ 10,455	75.8	\$ 9,921	73.7
State meal program	867	6.1	901	6.5	811	6.0
Food sales	2,063	14.5	2,391	17.3	2,616	19.5
Other	35	0.2	52	0.4	112	0.8
Total Revenues	<u>14,240</u>	<u>100.0</u>	<u>13,799</u>	<u>100.0</u>	<u>13,460</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	4,710	33.1	4,792	34.7	4,790	35.6
Food	6,674	46.9	6,310	45.7	5,947	44.2
Supplies	528	3.7	567	4.1	593	4.4
Other	1,237	8.7	1,303	9.4	989	7.3
Total Expenditures	<u>13,149</u>	<u>92.4</u>	<u>12,972</u>	<u>93.9</u>	<u>12,319</u>	<u>91.5</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,091	<u>7.6</u>	827	<u>6.1</u>	1,141	<u>8.5</u>
OTHER FINANCING USES						
Net financing uses	-		(696)		(1,900)	
FUND BALANCE, BEGINNING	<u>6,293</u>		<u>6,162</u>		<u>6,921</u>	
FUND BALANCE, ENDING	<u>\$ 7,384</u>		<u>\$ 6,293</u>		<u>\$ 6,162</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>51.9</u>		<u>45.6</u>		<u>45.8</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2008-2009		2007-2008		2006-2007	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHESES						
Paid	668,317	16.3	781,632	19.0	881,834	22.0
Reduced price	453,063	11.1	461,766	11.3	499,111	12.5
Free	2,973,780	72.6	2,855,430	69.7	2,619,633	65.5
Total Lunches	<u>4,095,160</u>	<u>100.0</u>	<u>4,098,828</u>	<u>100.0</u>	<u>4,000,578</u>	<u>100.0</u>
BREAKFAST						
Paid	134,040	10.0	163,826	12.4	157,214	12.5
Reduced price	118,396	8.9	128,642	9.7	133,435	10.6
Free	1,084,693	81.1	1,028,214	77.9	965,461	76.9
Total Breakfast	<u>1,337,129</u>	<u>100.0</u>	<u>1,320,682</u>	<u>100.0</u>	<u>1,256,110</u>	<u>100.0</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 Balance and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance and Business-Type Activities:		\$ 42,432,307
ARRA - State Fiscal Stabilization Funds	84.394	(10,145,250)
Medi-cal Billing Option	93.778	(134,389)
Total Schedule of Expenditures of Federal Awards		<u>\$ 32,152,668</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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 Balance

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

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.

Cafeteria Account Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS



**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
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise Rialto Unified School District's basic financial statements and have issued our report thereon dated December 10, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rialto Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rialto Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rialto Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rialto Unified School District's financial statements are free of 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 Rialto Unified School District in a separate letter dated December 10, 2009.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine Day & Co., LLP

Rancho Cucamonga, California
December 10, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Rialto Unified School District
Rialto, California

Compliance

We have audited the compliance of Rialto Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Rialto Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

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 Rialto Unified 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 Rialto Unified School District's compliance with those requirements.

As described in item 2009-2 in the accompanying schedule of findings and questioned costs, Rialto Unified School District did not comply with requirements regarding Special Tests and Provisions – Needs Assessment that are applicable to its Title II, Part A – Improving Teacher Quality Program. Compliance with such requirements is necessary, in our opinion, for Rialto Unified School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Rialto Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Rialto Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Rialto Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Rialto Unified School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. However, we believe that none of the significant deficiencies described above is a material weakness.

Rialto Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Rialto Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavnick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 10, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Rialto Unified School District
 Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. 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 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Rialto Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Rialto Unified 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	8	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	No, See Below
Instructional Materials general requirements	8	Yes, See Below
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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District 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	4	Yes
Before school	5	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	3	Not Applicable

We did not perform testing for Community Day Schools because the ADA is below the required threshold for testing. In addition, we only performed testing of procedure (a) for the Instructional Materials general requirements, as additional procedures were determined to not be required.

Based on our audit, we found that for the items tested, the Rialto Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Rialto Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Rialto Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Navina K. Trine, Day & Co., LLP

Rancho Cucamonga, California
December 10, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</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 not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Unqualified for all major programs except for the following program which was qualified:	
<u>84.367</u>	<u>Improving Teacher Quality State Grants Cluster</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010, 81.010A</u>	<u>Title I Grants to Local Educational Agencies Cluster</u>
<u>84.367</u>	<u>Improving Teacher Quality State Grants Cluster</u>
<u>84.365</u>	<u>English Language Acquisition Grants Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 964,580</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

RIALTO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2009-1 50000

Federal Program

Title: Title I – Grants to Local Educational Agencies Cluster
CFDA: 84.010
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Compliance Area: Procurement and Suspension and Debarment

Under the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement, the District is prohibited from contracting with or making sub-awards that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred. The District must verify that the entity is not suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the transaction with that entity.

Condition Found

The District is not aware of the requirements under the Procurement and Suspension and Debarment requirement. As a result, there are currently no procedures in place to ensure compliance in this area.

Questioned Cost Identified

We have performed the verification of all identified vendors using the Excluded Parties List System and did not identify any questioned costs.

Context

The condition identified was determined based on inquiry with District personnel and through review of documents and it appears that the condition is a pervasive issue.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Effect

Due to the lack of control activities to ensure compliance over the Procurement and Suspension and Debarment requirement, the District is at risk of contracting with excluded and/or debarred vendors.

Cause

Per inquiry with District personnel, it appears that the condition materialized as a result of unfamiliarity over the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement.

Recommendation

We recommend that responsible personnel at the District become familiar with Procurement and Suspension and Debarment requirements as outlined in OMB Circular A-133's compliance supplement. The District should begin identifying potential vendors that may be subject to this compliance requirement through the examination of purchase requisitions. By reviewing purchase requisitions and understanding the compliance requirements, the District can perform necessary verification procedures recommended on OMB Circular A-133's compliance requirement to ensure that the District remains compliant.

District Response

As of September 2009, the Purchasing Department is familiar with Procurement and Suspension and Debarment requirements as outlined in OMB Circular A-133's compliance supplement. The Purchasing Department is identifying potential vendors that may be subject to this compliance requirement through the examination of purchase requisitions. By reviewing purchase requisitions and understanding the compliance requirements that the Purchasing Department can perform necessary verification procedures recommended on OMB Circular A-133's compliance requirement to ensure that the District remains compliant. The Purchasing Agent will be responsible for this procedure.

2009-2 50000

Federal Program

Title: Improving Teacher Quality Cluster

CFDA: 84.367

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Criteria or Specific Requirement

Compliance Area: Special Tests and Provisions: Needs Assessment

Under the Special Tests and Provisions Needs Assessment requirement as outlined in OMB Circular A-133's compliance supplement, to be eligible to receive a sub grant of Title II, Part A, an LEA must conduct an assessment of local needs for professional development and hiring, as identified by the LEA and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and school-wide program schools.

Condition Found

The District is unaware of the requirements under the Needs Assessment requirement. As a result, the District lacks sufficient internal controls to ensure compliance in this area and the District has not performed the required needs assessment in the current fiscal year.

Questioned Cost Identified

Since the compliance requirement does not involve any program costs, the auditor was unable to associate any questioned costs with the condition identified.

Context

The condition identified was determined based on inquiry with District personnel and it appears that the condition is isolated to the current fiscal year due to transition of the District's administrator providing oversight to the program.

Effect

Due to the lack of knowledge of the requirement, the District did not perform the required needs assessment under the condition of receiving a sub grant from the State. We were unable to identify the consequences due to lack of guidance provided by the State and U.S. Department of Education. However, there is always a potential for either the State or the U.S. Department to impose penalties in the form of financial sanctions on the District.

Cause

Per inquiry with District personnel, it appears that the condition materialized as a result of the change in personnel overseeing the program.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

We recommend that the program director become familiar with the program's needs assessment requirement and adopt a formalized procedure to properly execute the requirement at the District. We recommend that the program director draft standardized procedures that meet the compliance requirement and should consider disseminating the information to all certificated personnel in the District who are to be involved in the assessment.

District Response

The program director is familiar with the program's needs assessment requirement and has adopted a formalized procedure to properly execute the requirement at the District. The program director will draft standardized procedures, by September 2009, that meet the compliance requirement and will disseminate the information to all certificated personnel in the District who are to be involved in the assessment.

RIALTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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

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

After School Education and Safety Program

2009-3 40000

Criteria or Specific Requirement

Requirement: Attendance Records and Reporting

EC Section 8483(a)(2), it is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate. Compliance requirements mandate that schools maintain adequate source documents supporting the number of students served by the program as reported semiannually to the California Department of Education. Additionally, adequate documentation that supports attendance participation must be maintained by each site and be consistent with the early release policy.

Condition

There appears to be no verifiable records that can support instances where students leaving early are in accordance to the program's early release policies adopted by the District. Permission slips issued in accordance with the program's early release policies were not always kept as supporting evidence. Permission slips that were on file did not always correlate to the days students were being released early.

Questioned Cost

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review of attendance records from five of the twenty-one sites that operate the after school program. Manual attendance records were tallied and reviewed for each child's sign out time in order to determine daily participation. The issue was noted when we attempted to reconcile a sample of 20 students who were signed out early during the day to early release permission slips. Supporting permission slips were not provided for 15 of the students sampled or the permission slips provided did not correlate to the days a student was identified as being released early.

RIALTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Effect

As a result of our testing, the District does not appear to be in compliance with *EC* 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.

Cause

Although the District has adapted an early release permission slip to be used for documenting the early release of students, it does not appear as though the form was used to document all cases of early release.

Recommendation

The District should ensure that the early release permission slip adapted for the program is used for all students that sign out early. The District should include review and follow-up procedures to ensure that the sites operating the program are following established procedures.

District Response

By December 2009, the Director of ASES will ensure that the District's early release permission slips are used for all students that sign out early. The Director will implement the review and follow-up procedures to ensure that the sites operating the program are following established procedures.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

State Awards Findings

After School Education and Safety Program – Indirect Costs

2008-1 40000

Criteria or Specific Requirement

According to Procedure 915 of the California School Account Manual (2008 Edition), districts are required to record costs associated with sub-agreements for services under object code 5100. The State allows the districts to charge up to \$25,000 per sub-agreement to object code 5800 for the cost of administration, but all residual amounts beyond \$25,000 must be recorded under the 5100 object code.

Condition

The District has entered into a sub-agreement for services with the City of Rialto to operate the District's After School Education and Safety Program. However, the District has recorded all of the costs associated with this agreement using the 5800 object code and did not exclude any costs associated with this sub-agreement from the indirect cost calculation.

Questioned Cost

A total of \$18,624 in questioned program cost was identified. The total questioned cost was calculated as follows:

Unadjusted

Total cost pool prior to 5100 object code adjustment: \$2,764,388

Unadjusted Indirect Cost Charged to Program: \$36,631

Adjusted

Total costs associated with City of Rialto: \$2,429,249 (charged to 5800 object)

Adjusted cost pool: \$360,139 (only includes \$25,000 of City of Rialto's costs)

Adjusted Indirect Cost @ 5 percent \$18,007

Context

The condition identified was determined based on the testing of indirect costs charged to the program and understanding the method of program administration through inquiry with District's management personnel.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

Provisions of the program did not identify specific financial or other consequences that the District would face as a result of the condition identified. However, it appears that the District has exceeded the amount of allowable indirect costs to be applied to the program in the amount of the questioned cost identified above.

Cause

The condition identified has materialized as a result of the District not identifying the City of Rialto's contract as a sub-agreement for services in accordance with Procedure 915 of the California School Accounting Manual.

Recommendation

The District should review Procedure 915 of the California School Accounting Manual to obtain an understanding of the revised indirect cost calculation method. Furthermore, the District should consult with their County to assist in identifying the difference between routine service transactions and sub-agreements for services. Generally, sub-agreements exist when a part or all of an instructional or support activity for which the District is responsible is conducted by a third party rather than by the District.

Current Status

Implemented.



Governing Board
Rialto Unified School District
Rialto, California

In planning and performing our audit of the financial statements of Rialto Unified School District (the District), for the year ended June 30, 2009, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2009, on the financial statements of Rialto Unified School District.

INTERNAL CONTROLS

Payroll and Personnel Procedures

Finding

The payroll technicians have the ability to enter and make changes to the salary schedules created in the New Payroll System, as well as input the salary schedule placement for all employees to be paid by the District. There is no independent review of the input performed by the payroll technicians to ensure that the change and/or input was authorized and recorded properly. When the Smart-E Human Resources System was implemented, the District designed control processes that would include an independent audit of payroll data. Due to budget cuts, the employee trained to perform this function was reassigned to another department. As a result, the District is in the process of training another employee to perform the audit. Because of this transition, the District has not yet implemented the designed procedures.

Recommendation

The District should either implement an independent review of the payroll changes made by payroll technicians to ensure that all changes made are authorized, or reevaluate the control processes previously designed and implement those processes to compensate for the lack of segregation of duties.

District Response

An independent audit of payroll data will be implemented in December 2009. Training of an independent auditor was completed with an employee outside the Fiscal Department. That employee trained for the independent review has been transferred and a new employee is now in training as an independent auditor. The Administrative Secretary II, in the Business Services Department, will be responsible for this procedure.

Risk Management – Health and Welfare Benefits

Finding

District procedures for payment of health and welfare benefits to vendors includes a reconciliation process of the employees included in the billing to ensure that the District is only paying benefits for employees or retirees that are included in the Risk Management Department's benefit system, Smart-E. Further inquiry identified that the report used to perform the reconciliation is not compared or reconciled to the HR/Payroll system for accuracy. As a result, the District is at risk of potentially paying for health and welfare benefits for terminated or non-existent employees. We selected a sample of 60 employees/retirees and compared the information included in the Smart-E system to the HR/Payroll system to determine if discrepancies exist. Out of the 60 employees selected for testing, discrepancies existed for four employees/retirees, resulting in an error rate of 6.7 percent.

Recommendation

The District should evaluate the procedures currently being utilized during the reconciliation process and consider the need to include a step to include a comparison to the HR/Payroll system for best results, as the HR/Payroll system will include the most updated information regarding employees' health and welfare benefits actually charged. If there are differences between the information Risk Management is using and the HR/Payroll system, the differences should be investigated and corrections made as necessary to the system warranted (Smart-E or HR/Payroll).

District Response

As of November 2009, the payroll supervisor is auditing changes made in the payroll system according to the current monthly spreadsheets provided by Risk Management with the Smart-E program. An annual audit will be done by the Director of Risk Management every December of the Health and Welfare benefits payroll system to ensure accuracy.

Child Nutrition – Bank Reconciliations

Finding

During our review of the District's bank reconciliations, we noted the primary checking account was not reconciled since August 2008. Upon inquiry with staff, we noted that staff performing the reconciliation came across an issue that they did not know how to resolve. Instead of addressing the issue by requesting aid from designated personnel, the staff stopped performing the bank reconciliation for the account. In addition, we noted the remaining two bank accounts were not reconciled as of February 2009. It appears as though personnel designated to review bank reconciliations is not actively reviewing the bank reconciliations to ensure they are properly prepared in a timely manner.

Recommendation

Designated personnel should perform a monthly review of all bank reconciliations. This monitoring process will ensure account balances are accurate and errors are identified and resolved in a timely manner. Finally, designated personnel should initial and date the bank reconciliation as evidence that it was reviewed.

District Response

As of June 2009, re-designation of duties pertaining to bank reconciliations has been made and all monthly reconciliations are current. Personnel have been cross trained in this area to avoid a reoccurrence of such a problem.

Monthly reconciliations are performed and given to Nutrition Services Accountant no later than the 20th of the following month for review. The Nutrition Services Accountant will be responsible for this procedure.

Eisenhower High School

Site Cash

Findings

The following issues were noted during the audit of internal controls over cash receipts:

1. Receipts in the pre-numbered receipt sequences (Alpha receipts) were missing. This appears to be due to the fact that the site can opt to not print a receipt when the account is resolved without receipt of payment (i.e., a student returns the book). However, this could not be confirmed because no other documentation was available for review and the procedures for printing or not printing the resolved account receipts were inconsistent (i.e., sometimes the receipt is printed and sometimes it is not).
2. Cash collected does not reconcile to cash deposited. For the months of October and November, we reviewed all receipts issued and compared to the amounts submitted for deposit. Various discrepancies were noted and a reason for those discrepancies was not clear. The majority of the discrepancies appear to center around fees collected for woodshop. During the months reviewed, we identified a total of \$2,079.15 in woodshop fees collected and receipted, but could only identify \$1,538 as deposited (a difference of \$541.15). As a result of the difference noted, we performed additional testing of all cash collections for the entire year and found an overall difference between cash receipts and cash deposits of \$559.65.
3. Deposits are not being made in a timely manner. This results in large cash balances being maintained at the site which decreases the safeguarding of the asset. The site was waiting between eight and 49 days to deposit cash collected.

Recommendations

1. Receipts issued from the Alpha system should be printed every time a transaction takes place. If the transaction taking place is to resolve a student account through return of a book and thus does not result in cash collected, then the printed receipt should document that the student returned the book, the date returned and the signature of the individual who received the returned book. These receipts should be maintained as documentation for the reason why cash is not being submitted for deposit.
2. Receipts should be issued for all monies received. All monies should then be forwarded for deposit. When deposited, a reconciliation should be performed that proves all monies receipted are submitted for deposit. If a discrepancy exists, an explanation should be provided (i.e., monies were returned, etc.).
3. Deposits should be made as prescribed in the Rialto Unified School District's "Fiscal Handbook". Deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit.

District Responses

The site principal will be responsible for the following procedures:

1. Effective May 2009, the records clerk will no longer accept any payments or issue receipts. She will now alert the budget clerk of any payments and she will issue receipts. The budget clerk will maintain all hand written receipts in numerical order.
2. As of June 2009, the budget clerk will follow all procedures and reconcile monies received prior to depositing. She will ensure the cash box is locked up in a secured filing cabinet whether in use or not and the office door will be locked when leaving. When either the budget clerk or ASB bookkeeper is out, the other person will cover the office. The numeric receipt book will be used and signed when money is received.
3. Effective July 2009, the budget clerk will make weekly deposits to comply with the recommendation made by the auditors and will forward the original bank receipts and abatement breakdown to Fiscal Services. She will also forward the Cash Count Worksheet to Fiscal Services when a deposit is made to verify accuracy.

ASSOCIATED STUDENT BODY (ASB)

Rialto High School

Petty Cash

Finding

The site maintains a petty cash account of \$1,000 that is not recorded on the balance sheet.

Recommendation

All cash accounts should be recorded on the ASB balance sheet to ensure proper disclosure of site assets. In addition, documenting the petty cash serves as a compensating control.

District Response

As of November 2009, the ASB bookkeeper added the petty cash account of the Rialto High ASB to the balance sheet.

Timely Deposits

Finding

Deposits are not being made in a timely manner. Delays in deposit ranged from eight days to 24 days from the date of receipt to the date of deposit. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should make their deposits once a week to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit.

District Response

Beginning with the 2009-2010 school year, the Principal will ensure deposits are made on a weekly basis by the ASB bookkeeper.

Cash Receipts

Finding

When funds are collected by teachers from students for deposit to the ASB, receipts are not issued to the students. In addition, the site is not utilizing a log to record the student's name and monies collected. As a result, there is no reconciliation process between the monies collected and cash turned in for deposit.

Recommendation

As part of cash control procedures, receipts should be used to document all transactions that involve the exchange of cash custody. In lieu of issuing receipts to students, the teacher can utilize a student log that records the student name, amount collected, and date collected. The student would sign the log and the log would be turned in with the cash to reconcile the cash received with the cash deposited.

District Response

Beginning with the 2009-2010 school year, ASB bookkeeper will provide a log for teachers which will include track names and monies collected to assist with reconciling of funds. This new policy will be implemented by the Principal and ASB staff.

Disbursements

Finding

ASB disbursements are not consistently being approved prior to the transactions taking place. This could potentially lead to spending in excess of available funds or the purchase of unauthorized items.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Ticket Sales Reports

District Response

Beginning with the 2009-2010 school year, the Principal will ensure that all disbursement transactions are pre-approved by the authorized personnel and student council prior to distribution of funds. Any purchases made without prior approval will be the responsibility of the purchaser.

Finding

Ticket sales reports do not provide explanations for variances between actual sales and actual cash collected. As a result, no accountability exists for discrepancies between sales and cash.

Recommendation

Variances between actual sales and actual cash collected should be investigated to determine the cause of the variance. The site should establish a threshold for when an explanation is required (i.e., dollar threshold or percentage of sales). Variances exceeding the established threshold should be investigated to determine the cause of the difference. The investigation would include inquiry with the person submitting the ticket report and cash, which would indicate to this person that they are accountable for the differences noted.

District Response

Beginning with the 2009-2010 school year, all discrepancies will be brought to the attention of the Principal immediately. All discrepancies will be reviewed and any discrepancy above \$10 will be investigated and the account frozen until a determination has been completed. Revenue potential forms will be submitted for any and all fundraisers. The Principal and ASB staff will be responsible for these procedures.

Perpetual Inventory

Finding

The ASB is not keeping track of their inventory for spirit wear. As a result, the ASB currently does not have the ability to determine if physical inventory on hand is accurate and whether inventory is properly accounted for including loss of items. In addition, the inventory is not accounted for on the balance sheet.

Recommendation

The ASB should ensure that inventory held for sale has been properly accounted for to ensure accountability of all assets held. All inventory transactions should be documented on the general ledger, including purchases and sales to assist the physical inventory reconciliation process. By summarizing the inventory transactions and arriving at the ending inventory, the ASB has the ability perform an analysis between the physical inventory and inventory reflected on the general ledger to determine if unusual variances have taken place. The ASB should be recording the cost value of the inventory on the balance sheet so that assets are correctly stated.

Kucera Middle School

Cash Receipts

Findings

We reviewed the ASB cash collection and deposit activity from July 1 through May 21, 2009. Based on our review, there appears to be a general lack of procedures to ensure that all collections are deposited and all deposits are properly supported. Details of our findings include the following:

1. Teachers collect funds from students for club activities. These collections are submitted to the ASB bookkeeper for deposit along with the receipts issued by the teacher for the monies collected. When teachers submit these funds, receipts are not issued back to the teachers as evidence of receipt of funds. In addition, a reconciliation between the receipts issued by the teacher and the funds submitted for deposit by the teacher is not performed. Many instances were noted where the receipts did not agree with the amount submitted for deposit and an explanation could not be provided for the differences. One example of such an instance was for a beef jerky sale. The teacher issued receipts during the sale to the students. The total amount of funds receipted by the teacher was \$360. The receipts were turned in with a cash count sheet and the money to the ASB bookkeeper. The cash count sheet and actual cash received only totaled \$60. The difference of \$300 was not accounted for through an explanation by either the teacher or the ASB bookkeeper.
2. Cash collected for PE clothing sales were not being deposited intact. We were unable to reconcile the total amount of cash collected for PE clothing sales based on the receipts issued. The total sales according to the receipts issued did not agree with the amounts deposited as stated on the ASB financial statements and as indicated on the bank statement. According to the receipts issued, total sales for PE clothing were \$1,590. However, only \$1,380.46 could be traced to a deposit. The remaining \$209.54 could not be accounted for.
3. In reviewing the supporting documentation for amounts deposited, the site could not produce supporting documentation for deposits totaling \$523.97. As a result, we were unable to determine if these amounts deposited were complete and reconciled to the cash collected for the related activities. In contrast, a total of \$381.65 in supporting documentation reviewed could not be linked to a specific deposit. It is possible that the \$381.65 was included in the deposits of \$523.97; however, this could not be confirmed.
4. Deposit activity is not entered into QuickBooks, the ASB financial recording system, on a timely basis. Deposits made during and after the month of April 2009 were not entered into the accounting system as of the audit date (May 21, 2009).

Recommendations

Pre-numbered triplicate 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 receipt book. The white copy of the receipt should be issued to the person turning in the monies, the yellow copy of the receipt should be utilized for deposit 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 reconciliation between the receipts submitted and the actual cash turned in should be performed. Ultimately, this procedure should be performed by the teacher submitting the monies and confirmed by the ASB bookkeeper upon a recount of the monies. The recount should be performed in the presence of the teacher turning in the monies and once verified, a receipt should be issued back to the teacher as proof that the monies were deposited intact. Any discrepancies noted between the receipts issued, monies submitted and/or the recount, should be investigated and conclusions should be documented. The ASB bookkeeper should then prepare such funds for deposit to the bank. Deposits to the bank may include collections from multiple clubs or events, but each bank deposit should be properly supported with receipts, cash count sheets and sales reconciliations. Each bank deposit should clearly indicate which club or event deposits are included in that bank deposit. Supporting documentation for the deposit should reconcile to the amounts deposited. Lastly, the ASB bookkeeper should enter the deposits into QuickBooks as they are prepared or immediately after a deposit is made. The supporting documentation should then be stored in an organized and secured location for audit purposes.

District Response

As of August 2009, the budget clerk will reconcile the bank statements with the cash collection sheets and cash receipts journal. The clerk will enter the deposits into the site software program as they are prepared or immediately after a deposit is made. The Principal is responsible for implementing this procedure.

Disbursements

Finding

During our review of ASB cash disbursement transactions, it was noted that three out of 58 disbursement transactions are not supported by an invoice. In addition, the site was not able to locate any supporting documentation for six of the 58 transactions.

Recommendation

The site should maintain proper documentation for expenditures including invoices and receipts. The ASB should ensure that all disbursement requests are supported by adequate invoices prior to the check being issued. This will assist in identifying and preventing potential unauthorized use of ASB funds.

District Response

The budget clerk will maintain proper documentation for expenditures including invoices and receipts. ASB will provide invoices for disbursement requests prior to checks being issued. When the budget clerk is absent, the school secretary will issue checks after proper documentation is provided.

Governing Board
Rialto Unified School District

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

Vavink, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 10, 2009