

**RIALTO UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016**



RIALTO UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
182 East Walnut Avenue
Rialto, CA 92376

Report on the Financial Statements

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 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
Rialto, CA 92376

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to in the aforementioned table of contents 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 District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, combining non-major fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Board of Education
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Rialto, CA 92376

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 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* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments) issued June 1999. Certain comparative information between the current and prior year is required to be presented in the MD&A.

Financial Highlights

- Overall revenues and other financing sources for governmental activities totaled \$314.6 million or \$30.0 million more than expenditures.
- Overall the District's net capital assets increased by \$4.4 million or 13.68% over the course of the year. This was primarily due to the completion of classroom addition projects and the upgrade to the District's network.
- The District's total long-term debt obligations increased by \$43.8 million during the current fiscal year. The increase was due to an increase in the Net Pension Liability
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$42.1 million or 15.2% of total General Fund expenditures.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Student Enrollment and Average Daily Attendance (ADA)

This section provides an overview of the District's enrollment and attendance trends.

Projected Student Enrollment –

- Enrollment has been decreasing since the 2005-06 school year. On average, the District's enrollment has decreased by 270 students over the last three years.
- The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

Projected Student Average Daily Attendance (ADA) –

- The District's ADA has decreased because of an overall decrease in student enrollment.
- ADA will continue to decline as enrollment is projected to continue decreasing.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Fund Financial Statements

More detailed information about the District's major governmental funds, not the District as a whole, are provided in the fund financial statements. Other governmental funds are combined and presented in a single column. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures in a particular program. Some funds are required by bond covenants, by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debts). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

The District maintains three classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and focus on the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the government fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information is presented in a separate reconciliation provided after the governmental fund statements that explains the differences (or relationships) between the governmental fund statements and the government-wide statements.

Proprietary funds: The proprietary fund category includes enterprise and internal service funds. An enterprise fund operates as a business-type activity, and additional information such as a cash flow statement is presented. Internal service funds report activities that provide supplies and services for the other programs and activities of the District. Proprietary funds are reported in the same manner as the District-wide statements. Currently, the District has one enterprise fund, the Cafeteria Fund, used to operate the District's nutrition service programs.

Fiduciary funds: For assets that belong to others, such as student activities funds, the District acts as the trustee, or fiduciary. The District has nine Associated Student Body Funds. The District is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. A separate statement of fiduciary net position and a statement of changes in fiduciary net position reports the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used to finance other District operations.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, deferred outflow of resources, liabilities (current and non-current) and net position (assets, plus deferred outflow of resources, minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets, plus deferred outflow of resources, less total liabilities (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense. The deferred outflow of resources is comprised of the deferred charge on refunding general obligation bond debt. The deferred charge on refunding is the difference between the reacquisition price and the net carrying amount of the old debt refunded, and a portion is amortized each year.

The net position is presented in three major categories. The first category provides the information in regards to equity amount in property, plant, and equipment owned by the District. The second category provides information on net position that is restricted by external parties as to use. The third category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The Statement of Net Position for the years ended June 30, 2015 and June 30, 2016 are summarized and analyzed below:

Summary of Statement of Net Position	Governmental Activities		Variance
	2015-16	2014-15	
Non-capital Assets	\$ 130,426,990	\$ 96,131,219	\$ 34,295,771
Capital Assets	<u>326,969,428</u>	<u>322,557,239</u>	<u>4,412,189</u>
Total Assets	<u>457,396,418</u>	<u>418,688,458</u>	<u>38,707,960</u>
Deferred Outflows of Resources	<u>38,209,719</u>	<u>15,399,717</u>	<u>22,810,002</u>
Current Liabilities	29,232,730	19,620,726	9,612,004
Long Term Liabilities	<u>338,975,889</u>	<u>295,128,970</u>	<u>43,846,919</u>
Total Liabilities	<u>368,208,619</u>	<u>314,749,696</u>	<u>53,458,923</u>
Deferred Inflows of Resources	<u>21,081,414</u>	<u>43,104,052</u>	<u>(22,022,638)</u>
Net Position Invested in Capital Assets	222,758,880	192,360,979	30,397,901
Net Position Legally Restricted	28,662,855	48,525,853	(19,862,998)
Net Position Unrestricted	<u>(145,105,631)</u>	<u>(164,652,405)</u>	<u>19,546,774</u>
Total Net Position	<u>\$ 106,316,104</u>	<u>\$ 76,234,427</u>	<u>\$ 30,081,677</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Activities

The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this statement presents the District's results of operations.

The Statement of Activities for the years ended June 30, 2015 and June 30, 2016 are summarized below:

	Governmental Activities		Variance
	2015-16	2014-15	
Revenues			
Program revenues:			
Charges for services	\$ 3,245,913	\$ 2,879,660	\$ 366,253
Operating grants and contributions	46,156,978	44,337,980	1,818,998
Capital grants and contributions	2,918,801	5,380,504	(2,461,703)
General revenues:			
Property Taxes	28,366,944	20,597,195	7,769,749
Federal and state aid not restricted	232,018,494	190,068,793	41,949,701
Interest and investment earnings	255,840	79,024	176,816
Interagency revenues	-	1,148,118	(1,148,118)
Miscellaneous	1,589,314	2,102,520	(513,206)
Transfers	-	(6,449)	6,449
Total Revenues	<u>314,552,284</u>	<u>266,587,345</u>	<u>47,964,939</u>
Expenses			
Instruction	161,354,763	147,602,353	13,752,410
Instruction-related services	33,339,634	29,907,352	3,432,282
Pupil services	23,576,892	20,777,706	2,799,186
Community services	(8,308)	746	(9,054)
General administration	15,137,186	14,852,388	284,798
Plant services	29,845,690	26,965,679	2,880,011
Other outgo	251,416	792,015	(540,599)
Debt service - interest	6,047,802	4,152,330	1,895,472
Depreciation (unallocated)	14,925,532	14,534,057	391,475
Total Expenses	<u>284,470,607</u>	<u>259,584,626</u>	<u>24,885,981</u>
Change in net position	<u>30,081,677</u>	<u>7,002,719</u>	<u>23,078,958</u>
Net Position, beginning of year as originally stated	76,234,427	252,147,264	(175,912,837)
Cumulative effect of change in accounting principle		(182,915,556)	182,915,556
Adjustment for restatement	-	-	-
Net Position, beginning of the year, after cumulative effect	<u>76,234,427</u>	<u>69,231,708</u>	<u>7,002,719</u>
Net Position, end of year	<u>\$ 106,316,104</u>	<u>\$ 76,234,427</u>	<u>\$ 30,081,677</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Activities (continued)

- Total revenues increased by \$47.9 million between fiscal years. The increase is a result of Federal and State aide, the majority arising from the Local Control Funding Formula (LCFF).

- Total expenses increased in 2015-2016 by \$24.9 million between fiscal years. The increase is mainly attributed to the increase in salaries and benefits, the restoration of Class Size Reduction, and the Local Control Accountability Plan (LCAP) approved programs.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the District had an increase of \$4.4 million invested in capital assets, net of depreciation, in governmental funds. The change is net effect of the completion of several classroom addition projects and the increase in depreciation expense.

Note 16 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation at year-end for 2015 and 2016 are presented below:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 39,752,485	\$ 39,752,485
Buildings and improvements	414,191,137	402,010,247
Equipment and vehicles	22,784,168	21,239,084
Construction in progress	<u>20,625,735</u>	<u>15,089,653</u>
Totals at historical cost	<u>497,353,525</u>	<u>478,091,469</u>
Less: accumulated depreciation for		
Buildings and improvements	154,044,461	140,353,596
Equipment and vehicles	<u>16,339,636</u>	<u>15,180,634</u>
Total accumulated depreciation	<u>170,384,097</u>	<u>155,534,230</u>
Governmental capital assets, net	<u>\$ 326,969,428</u>	<u>\$ 322,557,239</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Debt

Notes 8-13 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year-end for 2015 and 2016 is presented below:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
General obligation bonds, including accreted interest	\$ 121,230,578	\$ 121,014,384
Certificates of participation	5,640,000	6,250,000
Child care facilities revolving fund	26,000	52,000
City of Rialto redevelopment agency loan	5,031,941	5,101,941
Supplemental early retirement plan	-	267,870
Early retirement incentive	-	710,396
Compensated absences	815,742	680,902
Net Pension Liability	198,350,425	152,291,923 *
Post employment healthcare benefits	7,881,203	8,759,554
	<u>\$ 338,975,889</u>	<u>\$ 295,128,970</u>

* with cumulative effect of change in accounting principle applied

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Economic Factors that may Affect the Future

2015-16 STATE BUDGET - The Local Control Funding Formula (LCFF) has increased the funding and resources for all school districts. The new funding model gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students.

To ensure the funds are utilized effectively, the LCFF required the school district to prepare a Local Control Accountability Plan. This plan is a strategic planning and evaluation tool developed amongst the parent, community, and District stakeholders. It intends to increase public transparency and accountability for improving student achievement by utilizing dollars effectively. The Rialto Unified School District LCAP was adopted on June 3, 2015.

The LCFF provides a positive forecast for the future of education; however, the District will have to be strategic and cautious in administering its finances. There is no statutory guaranteed increase in any given year. It is anticipated that it will take eight years to fully fund LCFF. The Department of Finance's Gap funding rate, COLA, and unduplicated pupil count will determine the incremental funding in each of the upcoming years until the school district receives full funding. A conservative approach must be taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

Contacting the District's Financial Management

This financial report is designed to provide the governing board, administration, faculty, parents, students, community stakeholders, investors, creditors, etc., with a general overview of the District's financial condition and to establish accountability for the funding it receives. If you have questions regarding this report or need additional financial information, Rialto Unified School District, 182 E Walnut Avenue, Rialto, California, 92376, or email mislam@rialto.k12.ca.us.

FINANCIAL SECTION

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash on hand and in banks	\$ 116,269,755	\$ 17,204,498	\$ 133,474,253
Accounts receivable			
Federal and state governments	11,942,714	3,319,470	15,262,184
Miscellaneous	1,416,645	17,585	1,434,230
Due from other funds	629,910	40,818	670,728
Inventories	143,645	388,990	532,635
Prepaid expenses	24,321	-	24,321
Land	39,752,485	-	39,752,485
Construction in progress	20,625,735	-	20,625,735
Depreciable assets, net	266,591,208	4,380,043	270,971,251
Total Assets	457,396,418	25,351,404	482,747,822
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	2,060,460	-	2,060,460
Deferred outflows - pensions	36,149,259	571,823	36,721,082
Total Deferred Outflows of Resources	38,209,719	571,823	38,781,542
<u>Liabilities</u>			
Accounts payable and other current liabilities	27,975,053	320,524	28,295,577
Accrued interest	1,081,895	-	1,081,895
Unearned revenue	134,964	-	134,964
Due to other funds	40,818	629,910	670,728
Current portion of long-term liabilities	6,423,019	-	6,423,019
Non-current portion of long term liabilities	332,552,870	3,712,116	336,264,986
Total Liabilities	368,208,619	4,662,550	372,871,169
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	21,081,414	493,369	21,574,783
<u>Net Position</u>			
Net investment in capital assets	222,758,880	4,380,043	227,138,923
Restricted for:			
Debt service	8,459,485	-	8,459,485
Capital projects	8,945,697	-	8,945,697
Educational programs	11,257,673	-	11,257,673
Unrestricted	(145,105,631)	16,387,265	(128,718,366)
Total Net Position	\$ 106,316,104	\$ 20,767,308	\$ 127,083,412

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2016

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 161,354,763	\$ 2,887	\$ 27,733,061	\$ -	\$ (133,618,815)	\$ -	\$ (133,618,815)
Instruction - related services	33,339,634	28,433	8,430,867	-	(24,880,334)	-	(24,880,334)
Pupil services	23,576,892		4,533,671	-	(19,043,221)	-	(19,043,221)
Community services	(8,308)	-	-	-	8,308	-	8,308
General administration	15,137,186	85,501	1,857,961	-	(13,193,724)	-	(13,193,724)
Plant services	29,845,690	1,608,101	2,862,127	2,918,801	(22,456,661)	-	(22,456,661)
Other outgo	251,416	1,520,991	739,291	-	2,008,866	-	2,008,866
Debt service - interest	6,047,802	-	-	-	(6,047,802)	-	(6,047,802)
Depreciation (unallocated)	14,925,532	-	-	-	(14,925,532)	-	(14,925,532)
Total Governmental Activities	284,470,607	3,245,913	46,156,978	2,918,801	(232,148,915)	-	(232,148,915)
Business-type Activities							
Enterprise activities	15,613,327	1,308,028	14,630,960	-	-	325,661	325,661
Total Business-type Activities	15,613,327	1,308,028	14,630,960	-	-	325,661	325,661
Total District	\$ 300,083,934	\$ 4,553,941	\$ 60,787,938	\$ 2,918,801	(232,148,915)	325,661	(231,823,254)
General Revenues							
Property taxes levied for							
General purposes					18,426,381	-	18,426,381
Debt service					8,430,664	-	8,430,664
Other specific purposes					1,509,899	-	1,509,899
Federal and state aid not restricted to specific purposes					232,018,494	-	232,018,494
Interest and investment earnings					255,840	25,513	281,353
Miscellaneous					1,589,314	-	1,589,314
Total General Revenues and Special Items					262,230,592	25,513	262,256,105
Change in net position					30,081,677	351,174	30,432,851
Net Position - Beginning of Year					76,234,427	20,416,134	96,650,561
Net Position - End of Year					\$ 106,316,104	\$ 20,767,308	\$ 127,083,412

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 65,315,963	\$ 28,755,015	\$ 22,108,777	\$ 116,179,755
Cash in revolving fund	90,000	-	-	90,000
Accounts receivable				
Federal and state governments	11,518,634	-	424,080	11,942,714
Miscellaneous	712,369	52,019	652,257	1,416,645
Due from other funds	1,709,059	-	119,512	1,828,571
Inventories	143,645	-	-	143,645
Prepaid expenditures	24,321	-	-	24,321
Total Assets	<u>\$ 79,513,991</u>	<u>\$ 28,807,034</u>	<u>\$ 23,304,626</u>	<u>\$ 131,625,651</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 25,962,505	\$ 1,089,063	\$ 923,485	\$ 27,975,053
Due to other funds	160,330	-	1,079,149	1,239,479
Unearned revenue	134,964	-	-	134,964
Total Liabilities	<u>26,257,799</u>	<u>1,089,063</u>	<u>2,002,634</u>	<u>29,349,496</u>
Fund Balances				
Nonspendable	257,966	-	-	257,966
Restricted	10,852,233	27,717,971	18,892,517	57,462,721
Assigned	31,080,425	-	2,409,475	33,489,900
Unassigned	11,065,568	-	-	11,065,568
Total Fund Balances	<u>53,256,192</u>	<u>27,717,971</u>	<u>21,301,992</u>	<u>102,276,155</u>
Total Liabilities and Fund Balances	<u>\$ 79,513,991</u>	<u>\$ 28,807,034</u>	<u>\$ 23,304,626</u>	<u>\$ 131,625,651</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances - governmental funds \$ 102,276,155

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 39,752,485	
Construction in progress	20,625,735	
Depreciable assets, net	<u>266,591,208</u>	326,969,428

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated absences	(815,742)	
Certificates of Participation (COPS)	(5,640,000)	
General obligation bonds	(121,230,578)	
Other postemployment benefits other than pensions (OPEB)	(7,881,203)	
Net pension liability	(198,350,425)	
Child care facilities revolving fund	(26,000)	
City of Rialto redevelopment agency loan	<u>(5,031,941)</u>	(338,975,889)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred charge on refunding	2,060,460	
Deferred outflows - pensions	36,149,259	
Deferred inflows - pensions	<u>(21,081,414)</u>	17,128,305

Interest expense related to certificates of participation and general obligation bonds payable was incurred but not accrued through June 30, 2016. (1,081,895)

Total net position - governmental activities \$ 106,316,104

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	\$ 213,630,368	\$ -	\$ -	\$ 213,630,368
Local sources	18,426,379	-	-	18,426,379
Total local control funding formula sources	232,056,747	-	-	232,056,747
Federal sources	15,626,361	-	-	15,626,361
Other state sources	35,285,266	-	7,022,164	42,307,430
Other local sources	11,329,085	170,685	13,061,974	24,561,744
Total Revenues	<u>294,297,459</u>	<u>170,685</u>	<u>20,084,138</u>	<u>314,552,282</u>
Expenditures				
Instruction	158,681,473	-	2,981,081	161,662,554
Instruction - related services	32,236,703	-	1,096,689	33,333,392
Pupil services	23,842,760	-	55,364	23,898,124
Community services	476	-	-	476
General administration	14,991,787	-	280,982	15,272,769
Plant services	41,692,557	3,744,356	2,950,740	48,387,653
Other outgo	89,811	-	-	89,811
Debt service	1,250,281	-	5,636,187	6,886,468
Total Expenditures	<u>272,785,848</u>	<u>3,744,356</u>	<u>13,001,043</u>	<u>289,531,247</u>
Excess (deficiency) of revenues over expenditures	<u>21,511,611</u>	<u>(3,573,671)</u>	<u>7,083,095</u>	<u>25,021,035</u>
Other Financing Sources (Uses)				
Interfund transfers in	-	-	4,262,588	4,262,588
Interfund transfers out	(3,994,272)	(268,316)	-	(4,262,588)
Total Other Financing Sources	<u>(3,994,272)</u>	<u>(268,316)</u>	<u>4,262,588</u>	<u>-</u>
Net changes in fund balance	17,517,339	(3,841,987)	11,345,683	25,021,035
Fund Balances at Beginning of Year	<u>35,738,853</u>	<u>31,559,958</u>	<u>9,956,309</u>	<u>77,255,120</u>
Fund Balances at End of Year	<u>\$ 53,256,192</u>	<u>\$ 27,717,971</u>	<u>\$ 21,301,992</u>	<u>\$ 102,276,155</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016**

Net change in fund balances - total governmental funds \$ 25,021,035

Amounts reported for governmental activities in the statement of activities are different because:
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay	\$ 19,366,880	
Depreciation expense	<u>(14,925,532)</u>	
Excess (deficiency) of capital outlay over depreciation expense		4,441,348
 Disposal of fixed assets		 (29,159)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Certificates of participation	610,000	
General obligation bond	3,315,774	
Supplemental early retirement plan	267,870	
Early retirement incentive	710,396	
Child care facilities revolving fund	26,000	
City of Rialto redevelopment agency loan	<u>70,000</u>	5,000,040

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was: (1,064,257)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net increase in accrued interest	(337,268)	
Net increase in accreted interest	(3,646,243)	
Net decrease in other postemployment benefits other than pensions (OPEB)	878,351	
Net increase in compensated absences	(134,840)	
Net decrease in premium on general obligation bonds	114,275	
Net decrease in deferred charge on refunding bonds	<u>(161,605)</u>	<u>(3,287,330)</u>

Change in net position of governmental activities \$ 30,081,677

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

June 30, 2016

	Business-Type Activities:
	<u>Enterprise Fund</u>
	<u>Nutrition Services</u>
<u>Assets</u>	
Cash in county treasury	\$ 17,203,848
Cash in revolving fund	650
Accounts receivable	
Federal and state governments	3,319,470
Miscellaneous	17,585
Due from other funds	40,818
Inventories	388,990
Depreciable assets, net	<u>4,380,043</u>
Total Assets	<u>25,351,404</u>
 <u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	<u>571,823</u>
 <u>Liabilities</u>	
Accounts payable	320,524
Due to other funds	629,910
Net pension liability	<u>3,712,116</u>
Total Liabilities	<u>4,662,550</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	<u>493,369</u>
 <u>Net Position</u>	
Net investment in capital assets	4,380,043
Unrestricted	<u>16,387,265</u>
Total Net Position	<u><u>\$ 20,767,308</u></u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities: <u>Enterprise Fund</u> <u>Nutrition Services</u>
Operating Revenues	
Federal sources	\$ 14,317,811
State sources	1,111,095
Food service sales	<u>1,308,029</u>
Total Operating Revenues	<u>16,736,935</u>
 Operating Expenditures	
Classified salaries	3,918,541
Employee benefits	1,507,389
Food and supplies	9,258,922
Services and other operating expenses	567,864
Depreciation	415,614
Other outgo	<u>742,944</u>
Total Operating Expenditures	<u>16,411,274</u>
 Net operating income	 <u>325,661</u>
 Non-Operating Revenues	
Interest income	<u>25,513</u>
Total Non-Operating Revenues	<u>25,513</u>
 Net income	 351,174
 Net Position at Beginning of Year	 <u>20,416,134</u>
 Net Position at End of Year	 <u>\$ 20,767,308</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities:
	<u>Enterprise Fund</u>
	<u>Nutrition Services</u>
Cash Flows from Operating Activities	
Cash received from food services operations	\$ 16,985,605
Cash paid for operating expenditures	<u>(15,890,588)</u>
Net cash provided by operating activities	<u>1,095,017</u>
Cash Flows from Investing Activities	
Interest income	<u>25,513</u>
Net cash provided by investing activities	<u>25,513</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>(19,965)</u>
Net cash used by financing activities	<u>(19,965)</u>
Net increase in cash	1,100,565
Cash - July 1, 2015	<u>16,103,933</u>
Cash - June 30, 2016	<u>\$ 17,204,498</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities: <u>Enterprise Fund</u> <u>Nutrition Services</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 325,661
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	415,614
Changes in operating assets and liabilities:	
Accounts receivable	252,433
Due from other funds	(3,763)
Inventories	13,477
Deferred outflows - pension contributions	(238,913)
Accounts payable	230,343
Due to other funds	(54,493)
Net pension liability	838,837
Deferred inflows - pension costs	(684,179)
Total adjustments	<u>769,356</u>
Net cash provided by operating activities	<u>\$ 1,095,017</u>
Cash balances at June 30, 2016 consisted of the following:	
Cash on hand and in banks	\$ 17,203,848
Cash in revolving fund	<u>650</u>
Total cash	<u>\$ 17,204,498</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Associated Student Body Funds
	<hr/>
<u>Assets</u>	
Cash on hand and in banks	\$ 945,829
Prepaid expenses	5,000
Inventories	14,444
Total Assets	<hr/> 965,273 <hr/>
<u>Liabilities</u>	
Accounts payable	31,456
Funds held in trust	933,817
Total Liabilities	<hr/> \$ 965,273 <hr/>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

Community Services: includes activities that provide services to community participants other than students.

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with self-insurance funds and retiree benefit funds.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The proprietary and fiduciary fund expenses are presented by natural classification.

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: used to account for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Adult Education Fund: used to account for resources restricted or committed to adult education programs maintained by the District.

Child Development Fund: used to account for resources committed to child development programs.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

developer impact fees.

County School Facilities Fund: used to account for the School Facility Program grants award for modernization and new construction of various school sites.

Special Reserve Fund: used to account for specific board-approved capital expenditures.

Debt Service Funds: used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

Debt Service Fund: used to account for the payment of principal and interest on general long-term debt.

Proprietary Funds

Enterprise Fund

Nutrition Services Fund: used to account for revenues received and expenses made to operate the District's food service programs.

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates nine organized Associated Student Body funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the presentation of expenses versus expenditures.

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 in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2016, the inventory for supplies is \$143,645. The inventory for food is \$388,990.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. 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.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Furniture and equipment	2-15 years
Vehicles	2-15 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions: The deferred outflows of resources – pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 14 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources, results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion, the changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 14 to the

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to Assistant Superintendent of Business to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Education has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

The Rialto Unified School District School Facilities Corporation: The financial activity has been blended in the District's Special Reserve for Capital Outlay Fund and the General Fund. The liability associated with the Certificates of Participation issued by the Corporation are included in the Statement of Net Position. Individually prepared financial statements are not prepared for the Corporation.

The following potential component unit has been excluded from the District's reporting entity:

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: BUDGETS

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2016, \$18,032,028 of the District's bank balance of \$18,282,028 was exposed to credit risk as uninsured and collateral held by the pledging bank's trust department, not in the District's name.

Investments

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.25% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 3: DEPOSITS AND INVESTMENTS

be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the San Bernardino County office at 760 East Brier Drive, San Bernardino, CA 92408.

NOTE 4: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2016 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,709,059	\$ 160,330
Adult Ed		373,146
Enterprise Funds		
Nutrition Services	40,818	629,910
Special Revenue Funds:		
Child Development	<u>119,512</u>	<u>706,003</u>
Total	<u>\$ 1,869,389</u>	<u>\$ 1,869,389</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 4: INTERFUND TRANSACTIONS

which the resources are to be expended.

Interfund transfers for the 2015-16 fiscal year are as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for construction projects.	\$ 3,994,272
Transfer from the Building Fund to the Special Reserve for Capital Outlay Fund to reimburse for construction project.	<u>268,316</u>
Total	<u><u>\$ 4,262,588</u></u>

NOTE 5: FUND BALANCES

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Cash in revolving fund	\$ 90,000	\$ -	\$ -	\$ 90,000
Inventories	143,645	-	-	143,645
Prepaid expenditures	24,321	-	-	24,321
Total nonspendable	<u>257,966</u>	<u>-</u>	<u>-</u>	<u>257,966</u>
Restricted:				
Debt service	-	-	9,541,380	9,541,380
Capital projects	-	27,717,971	8,945,697	36,663,668
Educational programs	10,852,233	-	405,440	11,257,673
Total restricted	<u>10,852,233</u>	<u>27,717,971</u>	<u>18,892,517</u>	<u>57,462,721</u>
Assigned:				
Capital projects	-	-	2,409,475	2,409,475
Other Assignments	31,080,425	-	-	31,080,425
Total assigned	<u>31,080,425</u>	<u>-</u>	<u>2,409,475</u>	<u>33,489,900</u>
Unassigned:				
Economic uncertainties	8,303,404	-	-	8,303,404
Unassigned	2,762,164	-	-	2,762,164
Total unassigned	<u>11,065,568</u>	<u>-</u>	<u>-</u>	<u>11,065,568</u>
Total fund balance	<u><u>\$ 53,256,192</u></u>	<u><u>\$ 27,717,971</u></u>	<u><u>\$ 21,301,992</u></u>	<u><u>\$ 102,276,155</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2016 is shown below.

Governmental Activities

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	15,089,653	16,462,055	10,925,973	20,625,735
Total capital assets not being depreciated	<u>54,842,138</u>	<u>16,462,055</u>	<u>10,925,973</u>	<u>60,378,220</u>
Capital assets being depreciated:				
Buildings	402,010,247	12,215,707	34,817	414,191,137
Equipment	21,239,084	1,615,091	70,007	22,784,168
Total capital assets being depreciated	<u>423,249,331</u>	<u>13,830,798</u>	<u>104,824</u>	<u>436,975,305</u>
Less accumulated depreciation for:				
Buildings	(140,353,596)	(13,696,523)	(5,658)	(154,044,461)
Equipment	(15,180,634)	(1,229,009)	(70,007)	(16,339,636)
Total accumulated depreciation	<u>(155,534,230)</u>	<u>(14,925,532)</u>	<u>(75,665)</u>	<u>(170,384,097)</u>
Depreciable assets, net	<u>267,715,101</u>	<u>(1,094,734)</u>	<u>29,159</u>	<u>266,591,208</u>
Governmental activities capital assets, net	<u>\$ 322,557,239</u>	<u>\$ 15,367,321</u>	<u>\$ 10,955,132</u>	<u>\$ 326,969,428</u>

Business-Type Activities

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets being depreciated:				
Buildings	\$ 6,488,991	\$ -	\$ -	\$ 6,488,991
Equipment	1,893,106	19,965	-	1,913,071
Total capital assets being depreciated	<u>8,382,097</u>	<u>19,965</u>	<u>-</u>	<u>8,402,062</u>
Less accumulated depreciation for:				
Buildings	(2,126,266)	(317,899)	-	(2,444,165)
Equipment	(1,480,139)	(97,715)	-	(1,577,854)
Total accumulated depreciation	<u>(3,606,405)</u>	<u>(415,614)</u>	<u>-</u>	<u>(4,022,019)</u>
Business type activities capital assets, net	<u>\$ 4,775,692</u>	<u>\$ (395,649)</u>	<u>\$ -</u>	<u>\$ 4,380,043</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below.

Governmental Activities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
General obligation bonds	\$ 101,759,819	\$ -	\$ 2,288,556	\$ 99,471,263	\$ 4,616,944
Capital appreciation interest	16,718,541	3,646,243	1,027,218	19,337,566	1,065,075
Premium on general obligation bonds	<u>2,536,024</u>	<u>-</u>	<u>114,275</u>	<u>2,421,749</u>	<u>-</u>
Total general obligation bonds	121,014,384	3,646,243	3,430,049	121,230,578	5,682,019
Compensated absences	680,902	134,840	-	815,742	-
Certificates of participation	6,250,000	-	610,000	5,640,000	645,000
Postemployment healthcare benefits	8,759,554	-	878,351	7,881,203	-
Supplemental early retirement plan	267,870	-	267,870	-	-
Early retirement incentive	710,396	-	710,396	-	-
Net pension liability	152,291,923	46,058,502	-	198,350,425	-
Child care facilities revolving fund	52,000	-	26,000	26,000	26,000
City of Rialto redevelopment agency loan	<u>5,101,941</u>	<u>-</u>	<u>70,000</u>	<u>5,031,941</u>	<u>70,000</u>
Total	<u>\$ 295,128,970</u>	<u>\$ 49,839,585</u>	<u>\$ 5,992,666</u>	<u>\$ 338,975,889</u>	<u>\$ 6,423,019</u>

Payments for the General Obligation Bonds are made from the Bond Interest and Redemption Fund. The Certificates of Participation are paid from the Special Reserve for Capital Outlay Fund and General Fund. Payments for the Child Care Facilities Revolving Fund debt are made from the Child Development Fund. Supplemental Early Retirement Plan (SERP) and Early Retirement Incentive payments are made from the General Fund. Payments for the City of Rialto Redevelopment Agency Loan are made by the General Fund. The accumulated vacation liability will be paid from the fund from which the employee was paid. Other postemployment benefits are paid by the General Fund.

Business-Type Activities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
Net pension liability	\$ 2,873,279	\$ 838,837	\$ -	3,712,116	\$ -
Total	<u>\$ 2,873,279</u>	<u>\$ 838,837</u>	<u>\$ -</u>	<u>\$ 3,712,116</u>	<u>\$ -</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 8: LEASES

Operating Leases

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2017	\$ 584,431
2018	438,849
2019	98,078
Total	<u>\$ 1,121,358</u>

Current year expenditures for operating leases is approximately \$583,294. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 9: CERTIFICATES OF PARTICIPATION

The agreement dated June 2006, is between the District as the "lessee" and the Rialto Unified School District School Facilities Corporation as the "lessor" or "corporation". The Rialto Unified School District Corporation is a legally separate entity which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to the District.

The Corporation's funds for acquiring these items were generated by the issuance of \$4,770,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and, therefore, issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease agreement on each March and September for use and possession of the equipment for the period commencing March 1, 2007 and terminating September 1, 2029. Lease payments will be funded in part from the proceeds of the Certificates. Interest rates range from 4.00% to 6.00% for the length of the issuance.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable.

In September 1997, the Rialto Unified School District Facilities Corporation 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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: CERTIFICATES OF PARTICIPATION

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. The certificates have a maturity date of September 1, 2020, with an interest rate of 4.65 percent.

The annual requirements to amortize the 2006 Certificates of Participation and 1997 Refunding Certificates of Participation, outstanding as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 645,000	\$ 233,032
2018	670,000	205,012
2019	700,000	175,628
2020	730,000	144,566
2021	760,000	111,387
2022-2026	1,085,000	359,199
2027-2031	1,050,000	98,425
Total	<u>\$ 5,640,000</u>	<u>\$ 1,327,249</u>

NOTE 10: GENERAL OBLIGATION BONDS

Measure H 1999 Election

On September 14, 1999, \$60,000,000 in general obligation bonds were authorized at a special election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and paying related costs.

Between 2000 and 2004, the District issued bonds, Series A – C, totaling \$59,995,038. In 2012, the District issued a refunding bond (Series 2012) to advance refund portions of Series B and C.

The balance of the bonds refunded was \$2,545,274 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$161,605 was recognized during the year ended June 30, 2016.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2012 through 2025. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: GENERAL OBLIGATION BONDS

payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$756,460 and accreted interest paid and included as a deduction in the long-term debt schedule is \$1,027,218. The balance of accreted interest at June 30, 2016 is \$6,940,421.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$1,716,066. The amount will be amortized using the straight-line method. Amortization of \$107,254 was recognized for fiscal year 2015-16.

Measure Y 2010 Election

On November 2, 2010, \$98,000,000 in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and paying related costs.

Between 2011 and 2015, the District issued bonds, Series A, B and 2015, totaling \$68,642,187.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$2,889,784. The balance of accreted interest at June 30, 2016 is \$12,397,145.

Premium and discounts are netted against the carrying amount of the bonds and are amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$2,347,592 and the Series B bonds included a discount of \$1,068,488. These amount will be amortized using the straight-line method. Net amortization of \$7,021 was recognized for fiscal year 2015-16.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
1999:					
Series A	6/1/2000	2025	4.75-6.25	\$ 19,995,038	\$ 4,204,076
2012 Refunding	5/17/2012	2029	2.00-5.00	29,865,000	26,625,000
Total Measure 1999				<u>49,860,038</u>	<u>30,829,076</u>
2010:					
Series A	3/17/2011	2042	7.35	26,932,187	26,932,187
Series B	3/17/2011	2027	5.280-6.911	9,695,000	9,695,000
Series 2015	3/26/2015	2027	1.258-4.128	32,015,000	32,015,000
Total Measure 2010				<u>68,642,187</u>	<u>68,642,187</u>
Total				<u>\$ 118,502,225</u>	<u>\$ 99,471,263</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest
2017	\$ 4,616,943	\$ 2,373,727	\$ 1,065,075
2018	5,316,923	2,261,383	1,099,807
2019	5,583,494	2,136,901	1,131,506
2020	5,866,759	1,987,589	1,175,426
2021	6,172,683	1,799,397	1,204,259
2022-2026	36,067,274	5,210,254	5,069,252
2027-2031	11,888,377	17,329,105	14,496,623
2032-2036	5,928,578	18,825,188	24,510,598
2037-2041	13,798,661	13,616,610	31,986,339
2042	<u>4,231,571</u>	<u>471,686</u>	<u>8,603,429</u>
Total	<u>\$ 99,471,263</u>	<u>\$ 66,011,840</u>	<u>\$ 90,342,314</u>

NOTE 11: CHILD CARE FACILITIES REVOLVING FUND:

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchasing 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. The final payment of \$26,000 will be paid during the 2016-17 fiscal year.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 12: 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. A portion of the proceeds was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA.

During 2008, the District borrowed an additional \$3,390,000 to complete the project.

During the 2014-2015 school year, the District was informed that the City of Rialto refinanced the 2005 portion of the RDA loans with the District. The former premium was written off. The current payment schedule was provided by the city.

The RDA has since been dissolved and debt service payments are now paid directly to the City of Rialto. As of June 30, 2016, future minimum loan payments are:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 70,000	\$ 280,226
2018	75,000	275,924
2019	80,000	271,226
2020	80,000	265,989
2021	85,000	260,693
2022-2026	500,000	1,206,870
2027-2031	1,189,828	993,890
2032-2036	2,517,113	523,935
2037-2038	435,000	41,250
Total	<u>\$ 5,031,941</u>	<u>\$ 4,120,003</u>

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) administered by the Rialto Unified School District. The plan provides health and dental benefits to eligible retirees and their spouses. Membership of the Plan consists of 162 retirees currently receiving benefits and 2005 active plan members.

Funding Policy

The contribution requirement 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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

on projected pay-as-you-go basis financing requirements. During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS to prefund the postemployment benefit obligation. For fiscal year ended 2016, the District contributed \$2,042,975 in pay-as-you-go expenses to the plan and made a discretionary contribution of \$2,748,845 to the trust.

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. 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

	Balance
	June 30, 2016
<u>Annual OPEB Cost and Net OPEB Obligation</u>	
Annual required contribution (ARC)	\$ 4,069,653
Interest on net OPEB obligation	350,382
Adjustment to ARC	<u>(506,566)</u>
Annual OPEB cost	3,913,469
Contributions made, including implicit rate subsidy	<u>(4,791,820)</u>
Change in net OPEB obligation	(878,351)
Net OPEB obligation - beginning of year	<u>8,759,554</u>
Net OPEB obligation - end of year	<u>\$ 7,881,203</u>

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2016 was as follows:

<u>Year Ending June 30,</u>	<u>Annual</u>	<u>Percentage of</u>	
		<u>OPEB Cost</u>	<u>Annual OPEB</u>
		<u>Cost Contributed</u>	<u>Obligation</u>
2014	\$ 3,598,399	77.5%	\$ 7,502,537
2015	3,583,980	64.9%	8,759,554
2016	3,913,469	122.4%	7,881,203

Funding Status and Funding Progress

As of February 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$34,470,470. The covered payroll (annual payroll of active employees covered by the plan)

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

was \$136,217,096, and the ratio of the UAAL to the covered payroll was 25%. During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS. At June 30, 2016 the balance of the trust was \$2,748,845.

Actuarial valuations of an ongoing benefit 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, 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 postemployment healthcare benefits 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, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, if any, consistent with the long-term perspective of the calculations.

In the February 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over 30 years.

NOTE 14: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2016, the District's proportionate share of the net pension liabilities, pension

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
CalSTRS (STRP)	\$ 154,171,960	\$ 29,384,714	\$ 15,143,770	\$ 14,751,391
CalPERS (Schools Pool Plan)	47,890,581	7,336,368	6,431,013	3,501,296
Total	<u>\$ 202,062,541</u>	<u>\$ 36,721,082</u>	<u>\$ 21,574,783</u>	<u>\$ 18,252,687</u>

Data reported above for CalPERS is inclusive of the government and the proprietary funds.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0%-2.4%	2.0%-2.4%
Monthly benefits as a percentage of eligible compensation	9.200%	8.560%
Required employee contribution rate	10.730%	10.730%
Required employer contribution rate	7.391%	7.391%
Required state contribution rate		

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$12,530,465.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance
	June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 154,171,960
State's proportionate share of the net pension liability associated with the District	81,539,753
Total	<u>\$ 235,711,713</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.2290%.

For the year ended June 30, 2016, the District recognized pension expense of \$14,571,391 and revenue of \$7,043,641 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,530,465	\$ -
Effect of change in proportion	16,854,249	
Difference between expected and actual experience	-	2,576,250
Net differences between projected and actual earnings on plan investments	-	12,567,520
Total	\$ 29,384,714	\$ 15,143,770

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP Defined Benefit Plan for the June 30, 2015 measurement date is 7 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amounts will be recognized in pension expense as follows:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2017	\$ (762,214)
2018	(762,214)
2019	(762,214)
2020	(762,214)
2021	2,379,667
2022	2,379,668
Total	<u>\$ 1,710,479</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 232,787,660
Current discount rate (7.60%)	154,171,960
1% increase (8.60%)	88,835,970

Plan Fiduciary Net Position

Detailed information about the STRP’s plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$4,599,351.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$47,890,581. The net pension liability was measured as of June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.3249%.

For the year ended June 30, 2016, the District recognized pension expense of \$3,501,296. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,599,351	\$ -
Difference between expected and actual experience	2,737,017	-
Changes of assumptions	-	2,942,530
Difference in proportion	-	1,848,669
Net differences between projected and actual earnings on plan investments	-	1,639,814
Total	<u>\$ 7,336,368</u>	<u>\$ 6,431,013</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2015 measurement date is 3.9 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (2,202,687)
2018	(2,117,924)
2019	(1,339,763)
2020	1,966,378
Total	<u>\$ (3,693,996)</u>

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 77,945,909
Current discount rate (7.65%)	47,890,581
1% increase (8.65%)	22,897,566

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 15: JOINT POWERS AGREEMENTS

The District participates in three joint powers agreement (JPA) entities, the Schools Excess Liability Funds (SELF), the Protected Insurance Programs for Schools (PIPS) and the Southern California Regional Liability Excess Fund (SoCalReLiEF).

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2016 is as follows:

	SELF (Unaudited) June 30, 2016	PIPS (Unaudited) June 30, 2016	SoCal ReLiEF (Unaudited) June 30, 2016
<u>JPA Condensed Financial Information</u>			
Total assets	\$ 138,820,266	\$ 117,966,714	\$ 50,507,223
Total liabilities	117,306,926	104,282,740	57,128,328
Total revenues	10,982,004	263,965,339	41,448,481
Total expenditures	24,553,606	262,540,194	48,371,721

NOTE 16: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 16: COMMITMENTS AND CONTINGENCIES

adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

State School Building Lease-Purchase and County School Facilities Funds

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling \$7,153,925. Projects will be funded through Bond Proceeds, State School Building Lease-Purchase Grants, State Deferred Maintenance Allocations, Capital Facilities Funds, and General Funds.

NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non–employer entities for pensions that are provided to the employees of other entities and that are not within the scope of

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015–16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016–17.

Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016–17.

Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017–18.

Statement No. 77 – Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016**

	Budgetary Amounts - General		Actual Amounts
	Fund		
	Original	Final	General Fund
Revenues			
Local control funding formula sources:			
State apportionments	\$ 219,662,458	\$ 213,630,368	\$ 213,630,368
Local sources	12,170,597	18,426,380	18,426,379
Total local control funding formula sources:	231,833,055	232,056,748	232,056,747
Federal sources	14,772,455	19,202,467	15,626,361
Other state sources	24,885,912	33,627,449	35,285,266
Other local sources	11,006,577	11,168,555	11,329,085
Total Revenues	<u>282,497,999</u>	<u>296,055,219</u>	<u>294,297,459</u>
Expenditures			
Certificated salaries	120,636,881	119,203,727	118,082,191
Classified salaries	37,962,343	37,524,320	37,478,753
Employee benefits	57,072,210	64,508,160	63,660,790
Books and supplies	10,810,186	12,873,543	10,419,064
Services and other operating expenditures	41,982,304	35,934,244	30,326,460
Capital outlay	12,956,007	15,914,156	12,502,428
Other outgo	1,808,744	797,760	316,162
Total Expenditures	<u>283,228,675</u>	<u>286,755,910</u>	<u>272,785,848</u>
Excess (deficiency) of revenues over expenditures	<u>(730,676)</u>	<u>9,299,309</u>	<u>21,511,611</u>
Other Financing Uses			
Interfund transfers out	<u>(300,000)</u>	<u>(3,994,272)</u>	<u>(3,994,272)</u>
Total Other Financing Uses	<u>(300,000)</u>	<u>(3,994,272)</u>	<u>(3,994,272)</u>
Net change in fund balances	<u>\$ (1,030,676)</u>	<u>\$ 5,305,037</u>	\$ 17,517,339
Fund Balance - Beginning of Year			<u>35,738,853</u>
Fund Balance - End of Year			<u>\$ 53,256,192</u>

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Credit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2/1/2011	\$ -	\$ 25,908,488	\$ 25,908,488	0%	\$ 132,161,502	20%
2/1/2013	-	32,656,090	32,656,090	0%	130,534,497	25%
2/1/2015	-	34,470,470	34,470,470	0%	136,217,096	25%

During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS. At June 30, 2016 the balance of the trust was \$2,748,845.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016**

State Teachers' Retirement Plan	2015	2016
District's proportion of the net pension liability (assets)	0.2020%	0.2290%
District's proportionate share of the net pension liability (asset)	\$ 118,042,470	\$ 154,171,960
State's proportionate share of the net pension liability (asset) associated with the District	71,280,019	81,539,753
Total	\$ 189,322,489	\$ 235,711,713
District's covered-employee payroll	\$100 Million	\$103 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.04%	149.68%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%
California Public Employees' Retirement Plan	2015	2016
District's proportion of the net pension liability (assets)	0.3270%	0.3249%
District's proportionate share of the net pension liability (asset)	\$ 37,122,462	\$ 47,890,581
District's covered-employee payroll	\$34 Million	\$36 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	109.00%	133.69%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 9,293,881	\$ 12,530,465
Contributions in relation to the contractually required contribution	<u>9,293,881</u>	<u>12,530,465</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$106 million	 \$116.8 million
 Contributions as a percentage of covered-employee payroll	 8.88%	 10.73%
 <u>California Public Employees' Retirement Plan</u>	 <u>2015</u>	 <u>2016</u>
Contractually required contribution	\$ 4,216,681	\$ 4,599,351
Contributions in relation to the contractually required contribution	<u>4,216,681</u>	<u>4,599,351</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$36 Million	 \$38.8 Million
 Contributions as a percentage of covered-employee payroll	 11.771%	 11.847%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund and Major Special Revenue Fund(s)

A budgetary comparison is presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Postemployment Healthcare Benefits Funding Progress

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

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2016**

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2016 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Nancy G. O’Kelley	President	November 30, 2016
Dina Walker	Vice President	November 30, 2018
Edgar Montes	Member	November 30, 2018
Joseph Ayala	Member	November 30, 2016
Joseph W. Martinez	Clerk	November 30, 2016

DISTRICT ADMINISTRATORS

Dr. Cuauhtémoc Avila	Superintendent
Mohammad Z. Islam	Associate Superintendent, Business Services
Jasmin Valenzuela	Associate Superintendent, Elementary Instruction
Dr. Edward D’Souza	Associate Superintendent, Secondary Instruction
Thomas Haldorsen	Associate Superintendent, Personnel Services
Diane Romo	Sr. Director, Fiscal Services

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2016**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Revised Second Period	Annual
Grades Transitional Kindergarten through third:		
Regular ADA	7,531	7,531
Extended year special education	4	3
Special education - nonpublic, nonsectarian schools	1	1
Total grades transitional kindergarten through third ADA	7,536	7,535
Grades four through six:		
Regular ADA	5,942	5,931
Extended year special education	3	3
Special education - nonpublic, nonsectarian schools	5	7
Extended year special education - nonpublic, nonsectarian schools	-	1
Total grades four through six ADA	5,950	5,942
Grades seven and eight:		
Regular ADA	3,928	3,914
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	8	6
Extended year special education - nonpublic, nonsectarian schools	1	1
Total grades seven and eight ADA	3,939	3,923
Grades nine through twelve:		
Regular ADA	7,577	7,500
Extended year special education	3	3
Special education - nonpublic, nonsectarian schools	23	20
Extended year special education - nonpublic, nonsectarian schools	2	2
Total grades nine through twelve ADA	7,605	7,525
Total ADA	25,030	24,925

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	36,180	180	In Compliance
Grade 1	50,400	50,902	180	In Compliance
Grade 2	50,400	50,902	180	In Compliance
Grade 3	50,400	50,902	180	In Compliance
Grade 4	54,000	54,290	180	In Compliance
Grade 5	54,000	54,290	180	In Compliance
Grade 6	54,000	62,457	180	In Compliance
Grade 7	54,000	62,457	180	In Compliance
Grade 8	54,000	62,457	180	In Compliance
Grade 9	64,800	65,465	180	In Compliance
Grade 10	64,800	65,465	180	In Compliance
Grade 11	64,800	65,465	180	In Compliance
Grade 12	64,800	65,465	180	In Compliance

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Program Name	Federal Catalog Number	Pass-Through	
		Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	\$ 10,031,295
Especially Needy Breakfast Program	10.553	13526	2,939,501
Meal Supplements	10.553	(1)	286,681
Summer Food Service Program	10.559	13396	262,387
Commodities	10.555	13396	797,947
Subtotal: Child Nutrition Cluster			<u>14,317,811</u>
Forest Reserve Funds	10.665	10044	22,823
Total U.S. Department of Agriculture			<u>14,340,634</u>
United States Department of Education			
Pass-Through Program From California Department of Education:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	7,632,855
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,385,060
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	427,055
Title III, Immigrant Education Program	84.365	15299	2,830
Title III, Limited English Proficient Student Program	84.365	14346	716,314
Special Education Cluster:			
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	563
IDEA Preschool Staff Development, Part B, Age 3-4-5	84.173	13430	69,554
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	3,907,399
IDEA Preschool Local Entitlement	84.027A	13682	130,596
IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	288,893
Subtotal: Special Education Cluster			<u>4,397,005</u>
Carl D. Perkins Career and Technical Education, Secondary	84.048	14894	246,263
Pass-Through Programs from California State University, San Bernardino:			
California State Gear Up Program	84.334A	10088	11,960
Total: United States Department of Education			<u>14,819,342</u>

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Defense			
Pass-Through Program From California Department of Education:			
Junior Reserve Officers' Training Corps	12.000	(1)	189,882
Total U.S. Department of Defense			<u>189,882</u>
United States Department of Health and Human Services			
Pass-Through Program From California Department of Health Services:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	86,016
Medi-Cal Billing Option	93.778	10013	362,347
Total U.S. Department of Health and Human Services			<u>448,363</u>
Total Federal Programs			<u><u>\$ 29,798,221</u></u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 29,798,221
Expenditures in excess of revenues related to Federal Entitlements:			
Medi-Cal Billing Option			145,951
Total Federal Program Revenue			<u>\$ 29,944,172</u>
Governmental Funds Federal Revenue			\$ 15,626,361
Proprietary Funds Federal Revenue			14,317,811
Total Federal Program Revenue			<u>\$ 29,944,172</u>

(1) Pass-Through Entity Identifying Number was not available.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total revenues	\$ 297,434,867	\$ 294,297,459	\$ 249,467,381	\$ 220,008,862
Total expenditures	303,112,631	272,785,848	239,643,618	220,736,084
Total other sources and uses	<u>(1,519,741)</u>	<u>(3,994,272)</u>	<u>(113,473)</u>	<u>(508,204)</u>
Change in fund balance	(7,197,505)	17,517,339	9,710,290	(1,235,426)
Ending fund balance	<u>\$ 46,058,687</u>	<u>\$ 53,256,192</u>	<u>\$ 35,738,853</u>	<u>\$ 26,028,563</u>
Available reserve	<u>\$ 26,633,542</u>	<u>\$ 11,065,568</u>	<u>\$ 27,716,384</u>	<u>\$ 14,350,429</u>
Available reserve %	9%	4%	12%	7%
ADA	<u>24,915</u>	<u>25,030</u>	<u>25,171</u>	<u>25,254</u>
Total long term debt	<u>\$ 332,946,862</u>	<u>\$ 338,975,889</u>	<u>\$ 295,128,970</u>	<u>\$ 112,072,797</u>

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

The 2017 budget is the original budget adopted on June 15, 2016.

For a District this size, the state recommends an available reserve at 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

There were no differences between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance 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 not met or exceeded its target funding and 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.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Financial Trends and Analysis

The 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Reporting requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Adult Ed Fund	Child Development Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<u>Assets</u>							
Cash in county treasury	\$ 381,685	\$ 155,593	\$ 5,202,709	\$ 3,759,627	\$ 3,067,783	\$ 9,541,380	\$ 22,108,777
Accounts receivable:							
Federal and state governments	-	424,080	-	-	-	-	424,080
Miscellaneous	389,872	242,207	7,697	6,098	6,383	-	652,257
Due from other funds	-	119,512	-	-	-	-	119,512
Total Assets	\$ 771,557	\$ 941,392	\$ 5,210,406	\$ 3,765,725	\$ 3,074,166	\$ 9,541,380	\$ 23,304,626
<u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 2,055	\$ 226,305	\$ 30,434	\$ -	\$ 664,691	\$ -	\$ 923,485
Due to other funds	373,146	706,003	-	-	-	-	1,079,149
Total Liabilities	375,201	932,308	30,434	-	664,691	-	2,002,634
Fund Balances							
Restricted	396,356	9,084	5,179,972	3,765,725	-	9,541,380	18,892,517
Assigned	-	-	-	-	2,409,475	-	2,409,475
Total Fund Balances	396,356	9,084	5,179,972	3,765,725	2,409,475	9,541,380	21,301,992
Total Liabilities and Fund Balances	\$ 771,557	\$ 941,392	\$ 5,210,406	\$ 3,765,725	\$ 3,074,166	\$ 9,541,380	\$ 23,304,626

See the accompanying notes to the Optional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	Adult Ed Fund	Child Development Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues							
Other state sources	\$ 935,190	\$ 3,076,576	\$ -	\$ 2,905,285	\$ -	\$ 105,113	\$ 7,022,164
Other local sources	811	963,332	3,193,027	13,516	14,125	8,877,163	13,061,974
Total Revenues	<u>936,001</u>	<u>4,039,908</u>	<u>3,193,027</u>	<u>2,918,801</u>	<u>14,125</u>	<u>8,982,276</u>	<u>20,084,138</u>
Expenditures							
Instruction	182,275	2,798,806	-	-	-	-	2,981,081
Instruction - related services	185,513	911,176	-	-	-	-	1,096,689
Pupil services	-	55,364	-	-	-	-	55,364
General administration	32,279	248,703	-	-	-	-	280,982
Plant services	139,578	123,527	416,390	464,304	1,806,941	-	2,950,740
Debt service	-	26,000	-	-	-	5,610,187	5,636,187
Total Expenditures	<u>539,645</u>	<u>4,163,576</u>	<u>416,390</u>	<u>464,304</u>	<u>1,806,941</u>	<u>5,610,187</u>	<u>13,001,043</u>
Excess (deficiency) of revenues over expenditures	<u>396,356</u>	<u>(123,668)</u>	<u>2,776,637</u>	<u>2,454,497</u>	<u>(1,792,816)</u>	<u>3,372,089</u>	<u>7,083,095</u>
Other Financing Sources							
Interfund transfers in	-	120,292	-	-	4,142,296	-	4,262,588
Total Other Financing Sources	<u>-</u>	<u>120,292</u>	<u>-</u>	<u>-</u>	<u>4,142,296</u>	<u>-</u>	<u>4,262,588</u>
Net changes in fund balance	396,356	(3,376)	2,776,637	2,454,497	2,349,480	3,372,089	11,345,683
Fund Balances at Beginning of Year	<u>-</u>	<u>12,460</u>	<u>2,403,335</u>	<u>1,311,228</u>	<u>59,995</u>	<u>6,169,291</u>	<u>9,956,309</u>
Fund Balances at End of Year	<u>\$ 396,356</u>	<u>\$ 9,084</u>	<u>\$ 5,179,972</u>	<u>\$ 3,765,725</u>	<u>\$ 2,409,475</u>	<u>\$ 9,541,380</u>	<u>\$ 21,301,992</u>

See the accompanying notes to the Optional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT



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

Board of Education
Rialto Unified School District
Rialto, California

We have audited, 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016



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

Board of Education
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Rialto Unified School District
Rialto, California

We have audited the Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	No ²
Charter Schools:	
Attendance	No ¹
Mode of Instruction	No ¹
Nonclassroom Based Instruction/Independent Study	No ¹
Determination of Funding for Nonclassroom Based Instruction	No ¹
Annual Instructional Minutes – Classroom Based	No ¹
Charter School Facility Grant Program	No ¹

¹The District is not the granting agency for any Charter Schools

²The District was not listed on the immunization assessment reports

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016

FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
874.024, 84.173	IDEA Cluster
84.367	Title II, Part A – Improving Teacher Quality
84.366	Title II, Part B – CA Mathematics and Science Partnerships

Dollar threshold used to distinguish between type A and type B programs: \$893,939

Auditee qualified as low-risk auditee? X Yes No

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

All audit findings must be identified as one or more of the following categories:

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

2016-001 Internal Controls: Kucera Middle School ASB 30000

Criteria: The ASB should document meeting minutes with sufficient detail to substantiate what topics, events, and approvals were discussed at the meeting.

Budgets should be generated in a timely fashion, be mathematically accurate, and documented in the minutes as approved by the ASB.

Revenue potential forms should be generated for all ASB fundraisers to document costs and potential profits of such events. Each form should indicate time, location, price, what is being sold, expected profit, and be signed by appropriate officials.

Purchase orders should be approved that include product descriptions, quantities and the not to exceed (NTE) amount for all expenditures prior to disbursement of a check.

Void checks should be properly safeguarded and defaced.

Employees charged with duties to record and hold custody of ASB records must maintain adequate documentation to substantiate past transactions; keeping records of all disbursements and cash receipts.

Condition: Upon review of the ASB minutes, details for old and new business were lacking. In addition, we noted that ASB approval of expenditures were vague, stating approval of several clubs for ASB, and not providing details of the individual approved expenditures.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2016

2016-001 Internal Controls: Kucera Middle School ASB 30000

The minutes did include documentation of the approval of the ASB's budget; however, the budget was not included in the official minutes and was not signed or dated. As a result, the auditor was unable to rely that the budget provided was the budget that was adopted during the meeting approving the budget.

Revenue potential forms were not entirely completed. Missing data included amount collected verses potential, net profit, and were not signed and dated.

One invoice that was selected for testing was not properly canceled upon payment. In addition, NTE amounts on the purchase order did not equal NTE amount in the ASB cabinet minutes.

Void checks were not properly defaced upon inspection.

Documentation for two items selected for testing could not be located.

Context: Not applicable.

Effect: Possible misappropriate of funds, inadequate records, clerical mistakes.

Cause: The overall control issues noted are primarily a result of poor record keeping and retention.

Questioned Costs and Units: Not applicable.

Recommendation: It is recommended that management and the ASB implement closing and accounting procedures to ensure that the financial information is prepared in accordance with generally accepted accounting principles. All balances and transactions should be supported with adequate documentation to provide for an audit trail. Schedules and source documentation to support the balances in individual accounts and transactions that occurred should be on file and readily available for internal use and audit purposes.

Corrective Action Plan:

ASB Minutes & Budget

The ASB will maintain adequate minutes that reflect the discussions and actions of the ASB. The ASB will document the approval of the ASB budget in the meeting minutes. The budget will be signed and dated on the date it is approved. The ASB minutes include documentation of the general discussion and the following elements:

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2016

2016-001 Internal Controls: Kucera Middle School ASB 30000

- 1) Name of the club or organization holding the meeting
- 2) Date, time and place of meeting
- 3) Names of those in attendance
- 4) Name of the presiding officer
- 5) Approval of minutes from the previous meeting
- 6) Approval of the budget documented and retained in the minutes
- 7) What was discussed or reported on during the meeting
- 8) Report on activities or standing committee(s) or special committee(s)
- 9) What action was taken during the meeting
- 10) The results of any votes taken, including who made the motion, who seconded the motion anyone in opposition
- 11) Reporting on any communication to the ASB
- 12) Listing of any unfinished business
- 13) Date and time of next meeting
- 14) What time the meeting adjourned
- 15) Who prepared the minutes

Revenue Potential Forms

Revenue potential forms will be completed for all fundraisers during the year. The ASB budget clerk will ensure that at the end of each fundraiser a revenue potential form is completed. Any variances between estimated and actual revenue and expenses are explained.

Documentation of Disbursements

The ASB will strengthen internal controls and prevent unauthorized disbursements by verifying goods or services were preapproved in the ASB minutes, they do not exceed the approved amount and have been received before processing payment. The budget clerk will verify all documentation is on file to substantiate those goods or services prior to being paid. Furthermore, invoice will be properly cancelled with a "Paid" stamp to prevent duplicate payment. Any voided checks will be properly defaced.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2016

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2016.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2016

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2016.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-001 Nutrition Services Fund Structure

30000

Finding: Accounting procedures related to the District's Nutrition Services Proprietary Fund do not conform to accounting requirements as defined in the *California School Accounting Manual* (CSAM). CSAM specifies that the cafeteria program may be accounted for using an enterprise fund rather than a special revenue fund (Fund 13) even though its primary source of financing comes from federal and state child nutrition program revenues rather than through the price paid for meals by the students. The California Department of Education recommends that a District use an enterprise fund to account for its cafeteria operations only if the governing board intends to operate its cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing services, including depreciation of capital assets. When an enterprise fund is used to account for any activity, the fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as pension obligation, vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded. It is our understanding that the District wishes to operate the Nutrition Services fund in the above-described manner, however, the current accounting procedures do not support this. Our observations are as follows:

- 1) The District reported its Nutrition Services proprietary fund as a special revenue fund on the SCAS Unaudited Actuals report.
- 2) Special revenue funds do not have an account to record capital assets, thus no capital asset balances or activity was reported. This required an adjustment to beginning net position of \$5.1 million and additional current period adjustments of \$405,000 to properly reflect the balance of capital assets and current year depreciation.

Cause: The fund was classified incorrectly with the county office of education many years previously, thus the correct fund type is not available when the District utilizes the SACS software. Additionally, turnover in the Nutrition Services department has led to inconsistent accounting procedures that are still in the process of being revised.

Questioned Costs: No specific amounts known to be misrepresented.

Recommendation:

- 1) Proprietary funds should be reported as Fund 61.
- 2) Proprietary funds should report all activity related to capital assets, including depreciation.

Current Status: Implemented.

