



Financial Statements  
June 30, 2021

# Rialto Unified School District

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## Independent Auditor's Report

To the Governing Board  
Rialto Unified School District  
Rialto, California

### 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 Rialto Unified School District (the District) as of and for the year ended June 30, 2021, 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District, as of June 30, 2021, 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.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 16 to the financial statements, Rialto Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 73 through 74, schedule of changes in the District's net OPEB liability and related ratios on page 75, schedule of District's contribution for the OPEB on page 76, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 Rialto Unified School District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2021 on our consideration of Rialto Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rialto Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rialto Unified School District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 15, 2021

This section of Rialto Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, and proprietary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Rialto Unified School District.

## **REPORTING THE DISTRICT AS A WHOLE**

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

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

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

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

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

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

**Business-Type Activities** – An enterprise fund operates as a business-type activity. Currently, the District has one enterprise fund and the fund is used to operate the District's compressed natural gas station (CNG) station.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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



**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$131,816,710 for the fiscal year ended June 30, 2021. Of this amount, \$(229,781,961) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2021	2020 as restated
<b>Assets</b>		
Current and other assets	\$ 306,888,347	\$ 206,118,878
Capital assets	347,314,180	353,422,106
Total assets	<u>654,202,527</u>	<u>559,540,984</u>
Deferred outflows of resources	<u>84,818,142</u>	<u>91,803,520</u>
<b>Liabilities</b>		
Current liabilities	69,561,859	38,321,201
Long-term liabilities	<u>523,553,141</u>	<u>506,277,979</u>
Total liabilities	<u>593,115,000</u>	<u>544,599,180</u>
Deferred inflows of resources	<u>14,088,959</u>	<u>20,559,971</u>
<b>Net Position</b>		
Net investment in capital assets	262,392,348	259,775,717
Restricted	99,206,323	58,891,017
Unrestricted (Deficit)	<u>(229,781,961)</u>	<u>(232,481,381)</u>
Total net position	<u>\$ 131,816,710</u>	<u>\$ 86,185,353</u>

The \$(229,781,961) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 1.16 percent (\$(229,781,961) compared to \$(232,481,381)).

**Changes in Net Position**

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

**Table 2**

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 2,698,524	\$ 1,443,632
Operating grants and contributions	142,195,979	74,937,194
Capital grants and contributions	1,526,301	397,621
General revenues		
Federal and State aid not restricted	253,203,800	259,473,896
Property taxes	47,506,541	41,403,895
Other general revenues	25,954,889	9,673,733
Total revenues	473,086,034	387,329,971
Expenses		
Instruction-related	276,780,572	267,597,313
Pupil services	48,418,069	54,583,715
Administration	23,040,333	17,017,445
Plant services	43,174,864	30,064,763
All other services	36,040,839	32,704,702
Total expenses	427,454,677	401,967,938
Change in net position	\$ 45,631,357	\$ (14,637,967)

\*The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$427,454,677. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$47,506,541 because the cost was paid by those who benefited from the programs (\$2,698,524) or by other governments and organizations who subsidized certain programs with grants and contributions (\$143,722,280). We paid for the remaining “public benefit” portion of our governmental activities with \$253,203,800 in State funds, and with \$25,954,889 in other revenues, like interest and general entitlements.

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 276,780,572	\$ 267,597,313	\$ 188,877,994	\$ 221,446,330
Pupil services	48,418,069	54,583,715	10,384,266	29,006,198
Administration	23,040,333	17,017,445	18,413,642	14,433,525
Plant services	43,174,864	30,064,763	31,287,971	29,639,493
All other services	36,040,839	32,704,702	32,070,000	30,663,945
<b>Total</b>	<b>\$ 427,454,677</b>	<b>\$ 401,967,938</b>	<b>\$ 281,033,873</b>	<b>\$ 325,189,491</b>

\*The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$238,249,731, which is an increase of \$70,185,237 from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General	\$ 79,954,076	\$ 396,635,668	\$ 362,650,771	\$ 113,938,973
Student Activity	1,384,444	191,747	443,680	1,132,511
Adult Education	488,818	1,770,725	1,461,021	798,522
Child Development	1,040,364	5,749,378	5,179,594	1,610,148
Cafeteria	24,870,915	43,304,714	15,147,935	53,027,694
Building	31,641,059	583,817	1,262,500	30,962,376
Capital Facilities	7,238,948	3,627,491	1,899,184	8,967,255
County School Facilities	1,652,070	1,526,302	1,697,775	1,480,597
Special Reserve Fund for Capital Outlay Projects	7,755,413	6,514,562	55,174	14,214,801
Bond Interest and Redemption	12,038,297	10,079,346	10,000,789	12,116,854
<b>Total</b>	<b>\$ 168,064,404</b>	<b>\$ 469,983,750</b>	<b>\$ 399,798,423</b>	<b>\$ 238,249,731</b>

The primary reasons for these increases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$76.3 million to \$79.9 million. This increase was primarily due to the savings generated during the COVID-19 mandatory shut down of school sites.
2. The primary reason for the increase in the governmental funds arises from the sale of Measure Y Series D bonds. The bonds were sold in December 2019, increasing the fund balance in the Building Fund by \$29.5 million.
3. Our special revenue funds had an increase from the prior year showing a net increase of approximately \$2.4 million. This change was a contribution from the General Fund to support several capital facilities projects.
4. The debt service funds showed an increase \$1.3 million.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2021. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on pages 73 and 74).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2021, the District had \$347,314,180 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just under \$6,107,926, or 1.7 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 54,765,367	\$ 47,205,065
Buildings and improvements	276,624,196	290,372,704
Equipment	15,924,617	15,844,337
Total	\$ 347,314,180	\$ 353,422,106

This year’s additions of \$14,787,055 (we decreased) included several vehicles, cafeteria equipment and classroom equipment such as computers. Proceeds from the issuance of general obligations bonds will be used for modernization, renovation, and construction of various school facilities in accordance with voter approved measures.

Several capital projects are planned for the 2021-2022 year. We anticipate capital additions to be \$9.5 million for the 2021-2022 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

**Long-Term Liabilities**

At the end of this year, the District had \$523,553,141 in long-term liabilities outstanding versus \$506,277,979 last year, an increase of 3.41 percent. We present more detailed information about our long-term liabilities in Notes 9, 10, and 13 to the financial statements. Those long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 136,413,736	\$ 140,601,395
Unamortized debt premiums	3,088,281	3,295,878
Unamortized debt discounts	(335,386)	(406,618)
Lease financing - energy upgrades	8,733,570	9,407,844
Energy efficiency financing	603,533	735,212
City Rialto redevelopment agency loan	4,290,535	4,324,580
Compensated absences	729,891	1,014,249
Supplemental early retirement plan	11,127,148	6,550,926
Net OPEB liability	28,158,622	31,090,552
Aggregate net pension liability	330,743,211	309,663,961
Total	\$ 523,553,141	\$ 506,277,979

**SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:**

The school district completed the construction of the Eisenhower High School Theatre, giving their students a state of the art facility. The project represented a \$12 million project that included the renovation of the band room.

Playgrounds were replaced at four different schools; Boyd (2 Primary playground & 1 Kindergarten playground), Garcia, Dunn and Morgan Elementary School.

In preparation for full day kindergarten, several schools underwent modernization of their kindergarten classrooms. The district completed the classrooms at Casey, Dollahan, Dunn, and Morgan Elementary Schools.

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

In considering the District Budget for the 2021-2022 year, the governing board and management used the following criteria:

The Local Control Funding Formula (LCFF) 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.

Due to the COVID pandemic faced by the nation, the state continued to adopt measures to provide the safest learning modalities. Assembly Bill 130 was enacted by California Governor Newsom on July 9, 2021 to establish how instruction would be resumed in person in the state. The District LCAP was adopted on June 23, 2021.

The Rialto Unified School District budget was adopted on June 23, 2021 for the 2021-2022 school year. The district developed a cautious budget as the financial impact of the COVID pandemic is unknown. Revenues were forecast with a 5.07% adjustment for cost of living. Expenditures were modified to reflect the necessary costs of returning to in person learning and the acceleration of learning, as well as additional costs to prevent to propagation the COVID-19. A conservative approach was 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 our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Lead Business Services Agent, at Rialto Unified School District, 182 E. Walnut Ave., Rialto, California, 92378.

Rialto Unified School District  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Deposits and investments	\$ 255,322,060	\$ 320,968	\$ 255,643,028
Receivables	50,510,715	29,362	50,540,077
Prepaid expense	391,459	-	391,459
Stores inventories	664,113	-	664,113
Capital assets not depreciated	54,765,367	-	54,765,367
Capital assets, net of accumulated depreciation	<u>292,548,813</u>	<u>-</u>	<u>292,548,813</u>
Total assets	<u>654,202,527</u>	<u>350,330</u>	<u>654,552,857</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	1,252,436	-	1,252,436
Deferred outflows of resources related to OPEB	7,229,463	-	7,229,463
Deferred outflows of resources related to pensions	<u>76,336,243</u>	<u>-</u>	<u>76,336,243</u>
Total deferred outflows of resources	<u>84,818,142</u>	<u>-</u>	<u>84,818,142</u>
<b>Liabilities</b>			
Accounts payable	32,978,007	2,486	32,980,493
Interest payable	923,243	-	923,243
Unearned revenue	4,030,609	-	4,030,609
Current loans	31,630,000	-	31,630,000
<b>Long-term liabilities</b>			
Long-term liabilities other than OPEB and pensions due within one year	13,222,556	-	13,222,556
Long-term liabilities other than OPEB and pensions due in more than one year	151,428,752	-	151,428,752
Net other postemployment benefits liability (OPEB)	28,158,622	-	28,158,622
Aggregate net pension liabilities	<u>330,743,211</u>	<u>-</u>	<u>330,743,211</u>
Total liabilities	<u>\$ 593,115,000</u>	<u>2,486</u>	<u>593,117,486</u>



Rialto Unified School District  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to OPEB	\$ 2,334,791	\$ -	\$ 2,334,791
Deferred inflows of resources related to pensions	11,754,168	-	11,754,168
Total deferred inflows of resources	<u>14,088,959</u>	<u>-</u>	<u>14,088,959</u>
<b>Net Position</b>			
Net investment in capital assets	262,392,348	-	262,392,348
Restricted for			
Debt service	11,193,611	-	11,193,611
Capital projects	10,438,402	-	10,438,402
Educational programs	22,757,552	-	22,757,552
Child nutrition	51,842,137	-	51,842,137
Other restrictions	2,974,621	-	2,974,621
Unrestricted	<u>(229,781,961)</u>	<u>347,844</u>	<u>(229,434,117)</u>
Total net position	<u>\$ 131,816,710</u>	<u>\$ 347,844</u>	<u>\$ 132,164,554</u>

Rialto Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 233,103,527	\$ 8,142	\$ 76,253,108	\$ 1,526,301	\$ (155,315,976)	\$ -	\$ (155,315,976)
Instruction-related activities							
Supervision of instruction	12,106,384	3,388	5,285,123	-	(6,817,873)	-	(6,817,873)
Instructional library, media, and technology	5,020,161	-	551,858	-	(4,468,303)	-	(4,468,303)
School site administration	26,550,500	-	4,274,658	-	(22,275,842)	-	(22,275,842)
Pupil services							
Home-to-school transportation	4,803,425	-	895,392	-	(3,908,033)	-	(3,908,033)
Food services	14,956,871	2,236	29,473,414	-	14,518,779	-	14,518,779
All other pupil services	28,657,773	47,757	7,615,004	-	(20,995,012)	-	(20,995,012)
Administration							
Data processing	8,495,245	-	1,917,110	-	(6,578,135)	-	(6,578,135)
All other administration	14,545,088	2,294	2,707,287	-	(11,835,507)	-	(11,835,507)
Plant services	43,174,864	-	11,886,893	-	(31,287,971)	-	(31,287,971)
Ancillary services	443,680	-	-	-	(443,680)	-	(443,680)
Interest on long-term liabilities	6,955,243	-	-	-	(6,955,243)	-	(6,955,243)
Other outgo	7,746,935	2,634,707	1,336,132	-	(3,776,096)	-	(3,776,096)
Depreciation (unallocated)	20,894,981	-	-	-	(20,894,981)	-	(20,894,981)
<b>Total governmental activities</b>	<b>427,454,677</b>	<b>2,698,524</b>	<b>142,195,979</b>	<b>1,526,301</b>	<b>(281,033,873)</b>	<b>-</b>	<b>(281,033,873)</b>
<b>Business-Type Activities</b>							
Enterprise services	4,161	-	-	-	-	(4,161)	(4,161)
<b>Total primary government</b>	<b>\$ 427,458,838</b>	<b>\$ 2,698,524</b>	<b>\$ 142,195,979</b>	<b>\$ 1,526,301</b>	<b>(281,033,873)</b>	<b>(4,161)</b>	<b>(281,038,034)</b>

Rialto Unified School District  
Statement of Activities  
Year Ended June 30, 2021

General Revenues and Subventions			
Property taxes, levied for general purposes	33,943,616	-	33,943,616
Property taxes, levied for debt service	9,369,573	-	9,369,573
Taxes levied for other specific purposes	4,193,352	-	4,193,352
Federal and State aid not restricted to specific purposes	253,203,800	-	253,203,800
Interest and investment earnings	3,263,995	-	3,263,995
Interagency revenues	9,746	-	9,746
Miscellaneous	22,681,148	149,008	22,830,156
	<u>326,665,230</u>	<u>149,008</u>	<u>326,814,238</u>
Subtotal, general revenues			
Change in Net Position	45,631,357	144,847	45,776,204
Net Position - Beginning, as restated	<u>86,185,353</u>	<u>202,997</u>	<u>86,388,350</u>
Net Position - Ending	<u>\$ 131,816,710</u>	<u>\$ 347,844</u>	<u>\$ 132,164,554</u>

Rialto Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 142,635,248	\$ 42,822,401	\$ 31,083,505	\$ 38,780,906	\$ 255,322,060
Receivables	37,650,190	11,815,596	71,191	973,738	50,510,715
Due from other funds	3,837,718	558,255	-	3,011,558	7,407,531
Prepaid expenditures	382,009	-	-	9,450	391,459
Stores inventories	169,997	494,116	-	-	664,113
<b>Total assets</b>	<b><u>\$ 184,675,162</u></b>	<b><u>\$ 55,690,368</u></b>	<b><u>\$ 31,154,696</u></b>	<b><u>\$ 42,775,652</u></b>	<b><u>\$ 314,295,878</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 31,695,508	\$ 475,974	\$ 192,320	\$ 614,205	\$ 32,978,007
Due to other funds	3,380,072	2,186,700	-	1,840,759	7,407,531
Current loans	31,630,000	-	-	-	31,630,000
Unearned revenue	4,030,609	-	-	-	4,030,609
<b>Total liabilities</b>	<b><u>70,736,189</u></b>	<b><u>2,662,674</u></b>	<b><u>192,320</u></b>	<b><u>2,454,964</u></b>	<b><u>76,046,147</u></b>
<b>Fund Balances</b>					
Nonspendable	657,006	494,116	-	9,450	1,160,572
Restricted	22,757,552	51,842,137	30,962,376	25,529,877	131,091,942
Committed	10,841,230	-	-	-	10,841,230
Assigned	65,017,959	691,441	-	14,781,361	80,490,761
Unassigned	14,665,226	-	-	-	14,665,226
<b>Total fund balances</b>	<b><u>113,938,973</u></b>	<b><u>53,027,694</u></b>	<b><u>30,962,376</u></b>	<b><u>40,320,688</u></b>	<b><u>238,249,731</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 184,675,162</u></b>	<b><u>\$ 55,690,368</u></b>	<b><u>\$ 31,154,696</u></b>	<b><u>\$ 42,775,652</u></b>	<b><u>\$ 314,295,878</u></b>

Rialto Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Total Fund Balance - Governmental Funds		\$ 238,249,731
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 609,674,659	
Accumulated depreciation is	<u>(262,360,479)</u>	
Net capital assets		347,314,180
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(923,243)
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Debt refundings (deferred charge on refunding)	1,252,436	
Other postemployment benefits (OPEB)	7,229,463	
Net pension liability	<u>76,336,243</u>	
Total deferred outflows of resources		84,818,142
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits (OPEB)	(2,334,791)	
Net pension liability	<u>(11,754,168)</u>	
Total deferred inflows of resources		(14,088,959)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(330,743,211)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(28,158,622)

Rialto Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	\$ (100,756,111)
Unamortized premium on issuance	(3,088,281)
Unamortized discount on issuance	335,386
Lease financing - energy upgrades	(8,733,570)
Energy efficiency financing	(603,533)
City of Rialto redevelopment agency loan	(4,290,535)
Compensated absences (vacations)	(729,891)
Supplemental early retirement plan	(11,127,148)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(35,657,625)

Total long-term liabilities

(164,651,308)

Total net position - governmental activities

\$ 131,816,710

Rialto Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 280,954,452	\$ -	\$ -	\$ -	\$ 280,954,452
Federal sources	54,288,043	42,468,446	-	1,275,823	98,032,312
Other State sources	40,188,453	136,278	-	6,918,953	47,243,684
Other local sources	21,204,720	699,990	583,817	13,681,087	36,169,614
Total revenues	<u>396,635,668</u>	<u>43,304,714</u>	<u>583,817</u>	<u>21,875,863</u>	<u>462,400,062</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	209,763,108	-	-	4,382,115	214,145,223
Instruction-related activities					
Supervision of instruction	11,214,542	-	-	145,759	11,360,301
Instructional library, media, and technology	4,820,521	-	-	552	4,821,073
School site administration	23,506,991	-	-	1,387,451	24,894,442
Pupil services					
Home-to-school transportation	4,632,438	-	-	-	4,632,438
Food services	43,668	14,715,478	-	-	14,759,146
All other pupil services	26,606,778	-	-	229,847	26,836,625
Administration					
Data processing	8,348,859	-	-	-	8,348,859
All other administration	13,612,976	219,902	-	246,587	14,079,465
Plant services	43,783,620	212,555	-	240,254	44,236,429
Ancillary services	-	-	-	443,680	443,680
Other outgo	163,247	-	-	-	163,247
Facility acquisition and construction	7,456,726	-	1,262,500	3,473,437	12,192,663
Debt service					
Principal	839,998	-	-	6,687,683	7,527,681
Interest and other	460,357	-	-	3,313,106	3,773,463
Total expenditures	<u>355,253,829</u>	<u>15,147,935</u>	<u>1,262,500</u>	<u>20,550,471</u>	<u>392,214,735</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>41,381,839</u>	<u>28,156,779</u>	<u>(678,683)</u>	<u>1,325,392</u>	<u>70,185,327</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	7,583,688	7,583,688
Transfers out	(7,396,942)	-	-	(186,746)	(7,583,688)
Net Financing Sources (Uses)	<u>(7,396,942)</u>	<u>-</u>	<u>-</u>	<u>7,396,942</u>	<u>-</u>
Net Change in Fund Balances	33,984,897	28,156,779	(678,683)	8,722,334	70,185,327
Fund Balance - Beginning, as restated	79,954,076	24,870,915	31,641,059	31,598,354	168,064,404
Fund Balance - Ending	<u>\$ 113,938,973</u>	<u>\$ 53,027,694</u>	<u>\$ 30,962,376</u>	<u>\$ 40,320,688</u>	<u>\$ 238,249,731</u>

See Notes to Financial Statements

Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

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Total Net Change in Fund Balances - Governmental Funds \$ 70,185,327

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

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

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

Depreciation expense	\$ (20,894,981)	
Capital outlays	<u>14,787,055</u>	
Net expense adjustment		(6,107,926)

In the Statement of Activities, certain operating expenses, such as special termination benefits (SERP) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between SERP earned and used. (4,576,222)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 284,358

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (24,752,069)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. 6,251,988



Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

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Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	207,597
Discount amortization	(71,232)
Deferred amount on refunding amortization	(161,605)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	7,174,441
Lease financing - energy efficiency	674,274
Energy efficiency financing	131,679
City of Rialto Redevelopment Agency loan	34,045

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(3,643,298)

Change in net position of governmental activities

\$ 45,631,357

Rialto Unified School District  
Statement of Net Position – Proprietary Funds  
June 30, 2021

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	<u>Enterprise Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 320,968
Receivables	<u>29,362</u>
Total assets	<u>350,330</u>
Liabilities	
Current liabilities	
Accounts payable	<u>2,486</u>
Net Position	
Unrestricted	<u><u>\$ 347,844</u></u>

Rialto Unified School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2021

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	Enterprise Fund
Operating Revenues	
Charges for services	\$ 144,620
Operating Expenses	
Other operating cost	4,161
Operating Income	140,459
Nonoperating Revenues	
Fair market value adjustments	2,199
Interest income	2,189
Total nonoperating revenues	4,388
Change in Net Position	144,847
Total Net Position - Beginning	202,997
Total Net Position - Ending	\$ 347,844

Rialto Unified School District  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2021

	Enterprise Fund
Operating Activities	
Cash receipts from customers	\$ 135,819
Cash payments to other suppliers of goods or services	(2,262)
	133,557
Net Cash From Operating Activities	
Investing Activities	
Interest on investments	4,235
	137,792
Net Change in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	183,176
Cash and Cash Equivalents, Ending	\$ 320,968
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 140,459
Changes in assets and liabilities	
Receivables	(8,801)
Accrued liabilities	1,899
	133,557
Net Cash From Operating Activities	\$ 133,557

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Rialto Unified School District (the District) was unified on July 1, 1964 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary, five middle, three high schools, a continuation high school, an alternative high school, an adult school, a preschool program, and an infant program.

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

### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it was part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Rialto Unified School District School Facilities Corporation's financial activity is presented in the financial statements within the General Fund. Lease financing – energy upgrades liability secured by the Corporation included as long-term liabilities in the government-wide financial statements.

### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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

#### **Major Governmental Funds**

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,805,594.

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

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

### Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

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

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no internal service funds. The District has the following proprietary fund:

- **Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the compressed natural gas stations operated by the District.

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

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

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

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.



**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. In the governmental fund financial statements, each major fund is presented in a separate column and non-major funds are aggregated and presented in a single column. In the proprietary fund financial statements, the District's single non-major enterprise fund is presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

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

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

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

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

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

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

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

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

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

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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

## Pensions

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

## Postemployment Benefits Other Than Pensions (OPEB)

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

## Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$99,206,323 of restricted net position which is restricted by enabling legislation.

### **Operating Revenues and Expenses**

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

### **Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

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

### **Property Tax**

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

### **Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 16.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 255,322,060
Proprietary funds	<u>320,968</u>
Total deposits and investments	<u><u>\$ 255,643,028</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 1,132,511
Cash with fiscal agent	160
Cash in revolving	105,000
Investments	<u>254,405,357</u>
Total deposits and investments	<u><u>\$ 255,643,028</u></u>

**Policies and Practices**

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

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



**General Authorizations**

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

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

**Interest Rate Risk**

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

**Specific Identification**

The District maintains an investment of \$254,405,357 with the San Bernardino County Treasury Investment Pool which has a weighted average maturity of 461 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investments in the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Ratings.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District’s bank balance of \$943,669 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the District.

**Note 3 - Receivables**

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 8,429,740	\$ 11,543,543	\$ -	\$ 564,078	\$ 20,537,361	\$ -
State Government						
LCFF apportionment	19,578,280	-	-	-	19,578,280	-
Categorical aid	1,885,348	136,278	-	214,968	2,236,594	-
Lottery	1,662,471	-	-	-	1,662,471	-
Special education	5,117,558	-	-	-	5,117,558	-
Local Government						
Interest	248,033	67,182	71,191	48,801	435,207	573
Other local sources	728,760	68,593	-	145,891	943,244	28,789
<b>Total</b>	<b>\$37,650,190</b>	<b>\$ 11,815,596</b>	<b>\$ 71,191</b>	<b>\$ 973,738</b>	<b>\$ 50,510,715</b>	<b>\$ 29,362</b>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	7,452,580	14,177,538	(6,617,236)	15,012,882
	47,205,065	14,177,538	(6,617,236)	54,765,367
Total capital assets not being depreciated				
Capital assets being depreciated				
Land improvements	45,429,902	1,348,743	-	46,778,645
Buildings and improvements	463,150,428	2,704,354	-	465,854,782
Furniture and equipment	39,102,209	3,173,656	-	42,275,865
	547,682,539	7,226,753	-	554,909,292
Total capital assets being depreciated				
Total capital assets	594,887,604	21,404,291	(6,617,236)	609,674,659
Accumulated depreciation				
Land improvements	(18,699,512)	(2,167,952)	-	(20,867,464)
Buildings and improvements	(199,508,114)	(15,633,653)	-	(215,141,767)
Furniture and equipment	(23,257,872)	(3,093,376)	-	(26,351,248)
	(241,465,498)	(20,894,981)	-	(262,360,479)
Total accumulated depreciation				
Governmental activities capital assets, net	\$ 353,422,106	\$ 509,310	\$ (6,617,236)	\$ 347,314,180

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Unallocated	\$ 20,894,981

**Note 5 - Interfund Transactions**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,186,700	\$ 1,651,018	\$ 3,837,718
Cafeteria Fund	558,255	-	-	558,255
Non-Major Governmental Funds	<u>2,821,817</u>	<u>-</u>	<u>189,741</u>	<u>3,011,558</u>
Total	<u>\$ 3,380,072</u>	<u>\$ 2,186,700</u>	<u>\$ 1,840,759</u>	<u>\$ 7,407,531</u>

The balance of \$2,818,949 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund resulted from setting aside reserve for future capital outlay needs.

The balance of \$2,186,700 due to the General Fund from the Cafeteria Fund resulted from reimbursement of payroll, benefits, and indirect costs.

The balance of \$1,534,305 due to the General Fund from the Child Development Non-Major Government Fund resulted from reimbursement of payroll, benefits, and indirect costs.

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

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	General Fund	Transfer From Non-Major Governmental Funds	Total
Non-Major Governmental Funds	<u>\$ 7,396,942</u>	<u>\$ 186,746</u>	<u>\$ 7,583,688</u>

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to set aside reserve for future capital outlay projects. \$ 6,341,717

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions to support the District's preschool program. 1,055,225

The County School Facilities Non-Major Governmental Fund transferred to the Capital Outlay Non-Major Governmental Fund for reimbursement of qualifying capital outlay projects. 186,746

Total \$ 7,583,688

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Funds
Salaries and benefits	\$ 10,731,704	\$ 145,500	\$ -	\$ 119,061	\$ 10,996,265	\$ -
LCFF apportionment	7,022,127	-	-	-	7,022,127	-
Materials and supplies	3,049,637	282,527	-	117,720	3,449,884	-
Services	4,827,752	47,947	-	34,411	4,910,110	2,486
Capital outlay	3,317,150	-	192,320	343,013	3,852,483	-
Other	2,747,138	-	-	-	2,747,138	-
Total	<u>\$ 31,695,508</u>	<u>\$ 475,974</u>	<u>\$ 192,320</u>	<u>\$ 614,205</u>	<u>\$ 32,978,007</u>	<u>\$ 2,486</u>

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund
Federal financial assistance	\$ 2,826,421
State categorical aid	1,204,188
Total	\$ 4,030,609

**Note 8 - Tax Revenue Anticipation Notes (TRAN)**

The District issued \$31,630,000 of 2021 Series A-1 State Aid Intercept Notes, dated March 10, 2021, through the California School Finance Authority State Aid Intercept Notes (Fiscal Year 2020-21) School and Community College District Deferrals Program. The notes mature on December 30, 2021 and yield 3.00 percent interest. The notes were sold to provide operating cash prior to the District's receipt of anticipated tax payments and other revenues. Repayment requirements state that principal and interest will be payable in August through November 2021.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2020	Additions	Payments	Outstanding June 30, 2021
3/10/2021	3%	12/31/2021	\$ -	\$ 31,630,000	\$ -	\$ 31,630,000

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 140,601,395	\$ 5,366,467	\$ (9,554,126)	\$ 136,413,736	\$ 8,489,142
Unamortized debt premiums	3,295,878	-	(207,597)	3,088,281	-
Unamortized debt discounts	(406,618)	-	71,232	(335,386)	-
Lease financing - energy upgrades	9,407,844	-	(674,274)	8,733,570	692,479
Energy efficiency financing	735,212	-	(131,679)	603,533	131,680
City of Rialto redevelopment agency loan	4,324,580	-	(34,045)	4,290,535	35,647
Compensated absences	1,014,249	-	(284,358)	729,891	-
Supplemental early retirement plan	6,550,926	8,449,830	(3,873,608)	11,127,148	3,873,608
<b>Total</b>	<b><u>\$ 165,523,466</u></b>	<b><u>\$ 13,816,297</u></b>	<b><u>\$ (14,688,455)</u></b>	<b><u>\$ 164,651,308</u></b>	<b><u>\$ 13,222,556</u></b>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments for the supplemental early retirement plan, City of Rialto redevelopment agency loan, lease financing – energy upgrades, and energy efficiency financing are paid by the General Fund. Participation. The compensated absences will be paid by the General Fund, the Adult Education Fund, and the Cafeteria Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
6/1/2000	6/1/2025	4.75 - 6.25%	\$ 19,995,038	\$ 8,594,083	\$ 439,300	\$ (3,324,126)	\$ 5,709,257
3/17/2011	8/1/2041	7.35%	26,932,187	53,426,963	4,280,624	-	57,707,587
3/17/2011	8/1/2026	5.28 - 6.91%	9,695,000	9,415,000	-	(595,000)	8,820,000
5/17/2012	8/1/2028	2.00 - 5.00%	29,865,000	19,460,000	-	(1,965,000)	17,495,000
3/26/2015	8/1/2027	1.26 - 4.13%	32,015,000	20,250,000	-	(3,155,000)	17,095,000
12/5/2019	8/1/2044	2.00 - 4.00%	29,356,650	29,455,349	646,543	(515,000)	29,586,892
				<u>\$140,601,395</u>	<u>\$5,366,467</u>	<u>\$ (9,554,126)</u>	<u>\$ 136,413,736</u>

**1999 General Obligation Bonds, Series A**

On June 1, 2000, Rialto Unified School District issued the 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038. The Series A bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$18,734,962, and an aggregate principal debt service balance of \$38,730,000. The bonds were issued at an aggregate price of \$19,995,038 (representing the principal amount of \$19,995,038 plus an original issue premium of \$415,450 less cost of issuance of \$415,450). The bonds have a final maturity to occur on June 1, 2025 and interest rates of 4.75 to 6.25 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2021, the principal outstanding, including accreted interest, was \$5,709,257.

**2010 General Obligation Bonds, Series 2011A**

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011A in the amount of \$26,932,187. The Series 2011A bonds were issued as capital appreciate and convertible capital appreciation bonds. The capital appreciation bonds were issued in the amount of \$10,043,817 with an accretion value of \$27,516,183 and an aggregate principal debt service balance of \$37,560,000. The convertible capital appreciation bonds were issued in the amount of \$16,888,370 with an accretion value of \$34,336,630 and an aggregate principal debt service balance of \$51,225,000 at the conversion date of August 1, 2041. At June 30, 2021, the principal outstanding, including accreted interest, was \$57,707,587. Unamortized premium received on issuance amounted to \$1,542,237.



### **2010 General Obligation Bonds, Series 2011B**

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000. The Series 2011B bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$8,481,968 (representing the principal amount of \$9,695,000 less an issuance discount of \$1,068,488 and cost of issuance of \$144,544). The bonds have a final maturity to occur on August 1, 2026 and interest rates of 5.28 to 6.91 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2021, the principal outstanding was \$8,820,000. Unamortized discount on issuance was \$335,386.

### **General Obligation Refunding Bonds, Series 2012**

On May 17, 2012, Rialto Unified School District issued the General Obligation Bonds, Series 2012 in the amount of \$29,865,000. The bonds were issued at an aggregate price of \$31,100,676 (representing the principal amount of \$29,865,000 plus an original issue premium of \$1,716,066 less cost of issuance and underwriters' discount of \$335,545 and \$144,845, respectively). The bonds have a final maturity to occur on August 1, 2028 and interest rates of 2.00 to 5.00 percent. Proceeds from the sale of bonds were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C. At June 30, 2021, the principal outstanding was \$17,495,000. Unamortized premium received on issuance and deferred amount on refunding amounted to \$643,525 and \$1,252,436, respectively.

### **2010 General Obligation Bonds, Series 2015**

On March 26, 2015, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2015 in the amount of \$32,015,000. The Series 2015 bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$31,732,873 (representing the principal amount of \$32,015,000 less cost of issuance and underwriters' discount of \$186,082 and \$96,045, respectively). The bonds have a final maturity to occur on August 1, 2027 and interest rates of 1.26 to 4.13 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2021, the principal outstanding was \$17,095,000.

### **2010 General Obligation Bonds, Series 2019**

On December 5, 2019, Rialto Unified School District issued the 2010 General Obligation Refunding Bonds, Series 2019 in the amount of \$29,356,650. The Series 2019 bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$22,703,350, and an aggregate principal debt service balance of \$52,060,000. The bonds were issued at an aggregate price of \$29,888,188 (representing the principal amount of \$29,356,650 plus an original issue premium of \$946,698 less cost of issuance of \$415,160). The bonds have a final maturity to occur on August 1, 2044 and interest rates of 2.00 to 4.00 percent. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2021, the principal outstanding, including accreted interest, was \$29,586,892. Unamortized premium on issuance amounted to \$902,519.

**Debt Service Requirements to Maturity**

The bonds mature through 2045 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2022	\$ 8,390,270	\$ 98,872	\$ 1,864,218	\$ 10,353,360
2023	8,975,329	192,249	1,585,563	10,753,141
2024	9,180,389	279,417	1,294,165	10,753,971
2025	9,643,269	361,731	994,696	10,999,696
2026	9,005,000	-	658,911	9,663,911
2027-2031	21,758,872	9,341,128	17,577,130	48,677,130
2032-2036	2,555,635	2,719,365	18,825,188	24,100,188
2037-2041	38,313,796	37,636,204	13,616,610	89,566,610
2042-2045	28,591,176	26,083,823	471,686	55,146,685
<b>Total</b>	<b>\$ 136,413,736</b>	<b>\$ 76,712,789</b>	<b>\$ 56,888,167</b>	<b>\$ 270,014,692</b>

**Lease Financing – Energy Upgrade**

On October 27, 2017, the Rialto Unified School District entered into a lease/purchase agreement with the Rialto Unified School District School Facilities Corporation (the Corporation). The terms of the agreement stipulates that the District would lease a property owned by the District to the Corporation and the Corporation would sublease the property back to the District, including the energy efficiency renovations performed on the property. Lease payment period commences on March 30, 2018 and the final lease payment is set to occur on March 30, 2032. At June 30, 2021, the principal balance outstanding was \$8,733,570.

The lease payments are due through March 30, 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 692,479	\$ 235,806	\$ 928,285
2023	711,176	217,109	928,285
2024	730,378	197,908	928,286
2025	750,098	178,187	928,285
2026	770,351	157,935	928,286
2027-2031	4,175,207	466,221	4,641,428
2032	903,881	24,405	928,286
<b>Total</b>	<b>\$ 8,733,570</b>	<b>\$ 1,477,571</b>	<b>\$ 10,211,141</b>

**Energy Efficiency Financing**

On January 24, 2019, the District entered into an agreement with Southern California Edison Company to participate in SCE’s “On-Bill Financing Program.” The program allows SCE to provide interest free financing for the installation of various energy efficient equipment which is to be repaid over a specified period through the customer’s electricity bill. The District financed \$905,871 under the financing agreement. Under the terms of the agreement, monthly payments of \$10,873 will be paid over 83 months. As of June 30, 2021, the remaining balance was \$603,533.

The future remaining payments are as follows:

Year Ending June 30,	Principal
2022	\$ 131,680
2023	131,680
2024	131,680
2025	131,680
2026	76,813
Total	\$ 603,533

Financed building under the financing agreement in capital assets at June 30, 2021 include the following:

Buildings	\$ 19,106,580 *
Less accumulated depreciation	(1,512,604)
Total	\$ 17,593,976

\* The amount financed by the District funded a portion of the total cost of the project. The total related capital assets were funded using amount financed in conjunction with other local sources.

Amortization of leased buildings under capital assets is included in depreciation expense.

**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 material for the design, installation and/or construction of a football stadium at Rialto High School. \$976,242 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.

The 2005 and 2008 RDA loans were refinanced by the City of Rialto during the 2014-2015 and 2018-2019 fiscal years, respectively, resulting in a revised debt service schedules provided to the District by the City of Rialto. Effective February 1, 2012, the RDA was dissolved under the Redevelopment Dissolution Act and debt service payments are now paid directly to the City of Rialto. As of June 30, 2021, the principal balance outstanding was \$4,290,535.

Future payments on the City of Rialto Redevelopment Agency Loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 35,647	\$ 204,643	\$ 240,290
2023	38,050	202,861	240,911
2024	38,851	200,958	239,809
2025	40,053	199,016	239,069
2026	41,254	197,013	238,267
2027-2031	987,036	926,113	1,913,149
2032-2036	2,323,009	513,713	2,836,722
2037-2040	786,635	59,478	846,113
<b>Total</b>	<b><u>\$ 4,290,535</u></b>	<b><u>\$ 2,503,795</u></b>	<b><u>\$ 6,794,330</u></b>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$729,891.

**Supplemental Early Retirement Plan (SERP)**

During 2018-2019 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 172 employees who retired during the 2018-2019 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2021, the total balance of outstanding obligations for the supplemental early retirement plan was \$4,367,284.

During 2020-2021 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 120 employees who retired during the 2020-2021 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2021, the total balance of outstanding obligations for the supplemental early retirement plan was \$6,759,864

Future payments for the SERP are as follows:

Year Ending June 30,	2018-2019 Plan	2020-2021 Plan	Total Future Payments
2022	\$ 2,183,642	\$ 1,689,966	\$ 3,873,608
2023	2,183,642	1,689,966	3,873,608
2024	-	1,689,966	1,689,966
2025	-	1,689,966	1,689,966
Total	<u>\$ 4,367,284</u>	<u>\$ 6,759,864</u>	<u>\$ 11,127,148</u>

**Note 10 - Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 26,455,197	\$ 7,229,463	\$ 2,334,791	\$ 2,925,508
Medicare Premium Payment (MPP) Program	<u>1,703,425</u>	<u>-</u>	<u>-</u>	<u>171,292</u>
Total	<u>\$ 28,158,622</u>	<u>\$ 7,229,463</u>	<u>\$ 2,334,791</u>	<u>\$ 3,096,800</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The California Public Employees' Retirement System (CalPERS) administers the Rialto Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: <https://calpers.ca.gov/pages/forms-Publications>.

**Plan Membership**

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	250
Active employees	1,893
	2,143
Total	2,143

**Benefits Provided**

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

**Contributions**

The contribution requirements of the 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 contributions is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreement with the District, REA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2020, the District contributed \$3,132,012 to the Plan to fund the OPEB Trust. The District contributed \$2,402,926 to the Plan during the current fiscal year.

**Net OPEB Liability of the District**

The District's net OPEB liability of \$26,455,197 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 39,958,181
Plan fiduciary net position	<u>(13,502,984)</u>
Net OPEB liability	<u>\$ 26,455,197</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>33.79%</u>

**Actuarial Assumptions**

Net total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	3.00	percent, average, including inflation
Investment rate of return	5.50	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.80	percent for 2020

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the RP-2014 employee mortality table. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 39,173,755	\$ 9,615,336	\$ 29,558,419
Service cost	1,527,692	-	1,527,692
Interest	2,159,813	-	2,159,813
Employer contributions	-	6,002,713	(6,002,713)
Net investment income	-	794,194	(794,194)
Benefit payments	(2,903,079)	(2,903,079)	-
Administrative expense	-	(6,180)	6,180
Net change in total OPEB liability	784,426	3,887,648	(3,103,222)
Balance, June 30, 2021	<u>\$ 39,958,181</u>	<u>\$ 13,502,984</u>	<u>\$ 26,455,197</u>

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 5.90 percent in 2019 to 5.80 percent in 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.50%)	\$ 29,304,050
Current discount rate (5.50%)	26,455,197
1% increase (6.50%)	23,808,341

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.80%)	\$ 22,732,336
Current healthcare cost trend rate (5.80%)	26,455,197
1% increase (6.80%)	30,731,757



**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB**

At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,534,938	\$ -
Differences between expected and actual experience	-	2,050,962
Changes of assumptions	1,694,525	-
Net difference between projected and actual earnings on OPEB plan investments	-	283,829
Total	\$ 7,229,463	\$ 2,334,791

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (155,819)
2023	(152,805)
2024	(136,856)
2025	(102,376)
2026	(66,008)
Thereafter	(26,402)
Total	\$ (640,266)

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2021, the District reported a liability of \$1,703,425 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.4020 percent, and 0.4114 percent, resulting in a net decrease in the proportionate share of 0.0094 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$171,292

**Actuarial Methods and Assumptions**

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18 percent of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

#### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29 percent from 3.50 percent as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 1,883,611
Current discount rate (2.21%)	1,703,425
1% increase (3.21%)	1,550,100

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,544,553
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,703,425
1% increase (5.50% Part A and 6.40% Part B)	1,886,316

**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 105,000	\$ -	\$ -	\$ -	\$ 105,000
Stores inventories	169,997	-	-	-	169,997
Prepaid expenditures	382,009	494,116	-	9,450	885,575
Total nonspendable	657,006	494,116	-	9,450	1,160,572
<b>Restricted</b>					
Legally restricted programs	22,757,552	-	-	-	22,757,552
Student activity	-	-	-	1,132,511	1,132,511
Adult education	-	-	-	798,522	798,522
Child development	-	-	-	1,043,588	1,043,588
Food service	-	51,842,137	-	-	51,842,137
Capital projects	-	-	30,962,376	10,438,402	41,400,778
Debt services	-	-	-	12,116,854	12,116,854
Total restricted	22,757,552	51,842,137	30,962,376	25,529,877	131,091,942
<b>Committed</b>					
3% Commitment	10,841,230	-	-	-	10,841,230
<b>Assigned</b>					
1:1 Devices	10,000,000	-	-	-	10,000,000
Donation carryover	1,200,000	-	-	-	1,200,000
COVID-19	15,000,000	-	-	-	15,000,000
Upcoming deficit	23,012,365	-	-	-	23,012,365
Deferred maintenance	5,805,594	-	-	-	5,805,594
Child care	-	-	-	566,560	566,560
Capital outlay	-	-	-	14,214,801	14,214,801
Strategic plan	10,000,000	-	-	-	10,000,000
Other	-	691,441	-	-	691,441
Total assigned	65,017,959	691,441	-	14,781,361	80,490,761
<b>Unassigned</b>					
Reserve for economic uncertainties	10,841,230	-	-	-	10,841,230
Remaining unassigned	3,823,996	-	-	-	3,823,996
Total unassigned	14,665,226	-	-	-	14,665,226
Total	\$ 113,938,973	\$ 53,027,694	\$ 30,962,376	\$ 40,320,688	\$ 238,249,731

## **Note 12 - Risk Management**

The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPA's) for its health and welfare benefits, and property/liability insurance. Refer to Note 15 for additional information regarding the JPA's.

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District participated in Southern California Regional Liability Excess Fund (SCR) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### **Workers' Compensation**

For fiscal year 2021, the District participated in the Protected Insurance Program for Schools (PIPS), a public entity risk pool for workers' compensation insurance coverage. The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate.

### **Employee Medical Benefits**

The District has contracted with various commercial insurance carriers to provide employee health benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers.

**Note 13 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 223,552,587	\$ 55,903,820	\$ 10,903,195	\$ 32,490,861
CalPERS	107,190,624	20,432,423	850,973	23,058,138
Total	<u>\$ 330,743,211</u>	<u>\$ 76,336,243</u>	<u>\$ 11,754,168</u>	<u>\$ 55,548,999</u>

The details of each plan are as follows:

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

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$20,407,816.



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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 223,552,587
State's proportionate share of the net pension liability	<u>115,241,385</u>
Total	<u><u>\$ 338,793,972</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.2307 percent and 0.2326 percent, resulting in a net decrease in the proportionate share of 0.0019 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$32,490,861. In addition, the District recognized pension expense and revenue of \$16,144,187 for support provided by the State. At June 30, 2021, 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	\$ 20,407,816	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	7,991,671	4,598,627
Differences between projected and actual earnings on pension plan investments	5,310,322	-
Differences between expected and actual experience in the measurement of the total pension liability	394,468	6,304,568
Changes of assumptions	<u>21,799,543</u>	<u>-</u>
Total	<u><u>\$ 55,903,820</u></u>	<u><u>\$ 10,903,195</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (3,240,327)
2023	1,809,324
2024	3,609,804
2025	3,131,521
Total	\$ 5,310,322

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 8,185,374
2023	5,823,896
2024	6,290,850
2025	(629,566)
2026	(39,302)
Thereafter	(348,765)
Total	\$ 19,282,487

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 337,756,819
Current discount rate (7.10%)	223,552,587
1% increase (8.10%)	129,260,911

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS 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 five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	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	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer 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 calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$10,389,114.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$107,190,624. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.3493 percent and 0.3418 percent, resulting in a net increase in the proportionate share of 0.0075 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$23,058,138. At June 30, 2021, 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	\$ 10,389,114	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,102,542	850,973
Differences between projected and actual earnings on pension plan investments	2,231,369	-
Differences between expected and actual experience in the measurement of the total pension liability	5,316,326	-
Changes of assumptions	393,072	-
	<u>\$ 20,432,423</u>	<u>\$ 850,973</u>
Total	<u>\$ 20,432,423</u>	<u>\$ 850,973</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (835,023)
2023	744,812
2024	1,294,607
2025	1,026,973
Total	<u>\$ 2,231,369</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 4,501,219
2023	2,135,209
2024	313,438
2025	11,101
Total	\$ 6,960,967

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 154,106,068
Current discount rate (7.15%)	107,190,624
1% increase (8.15%)	68,253,159



### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$13,041,903 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### **Note 14 - Commitments and Contingencies**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

**Construction Commitments**

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Casey Elementary full-day kindergarten	\$ 366	October 30, 2021
Dunn Elementary full-day kindergarten	1,286	December 31, 2021
Morgan Elementary full-day kindergarten	1,623	December 31, 2021
Milor High School cafeteria expansion	109,148	December 31, 2021
Eisenhower High School HVAC	4,890	June 30, 2022
Eisenhower High School bleachers	36,512	June 30, 2022
Special Education building renovation	<u>158,978</u>	June 30, 2024
Total	<u>\$ 312,803</u>	

**Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities**

The District is a member of the Southern California ReLIEF (SCR) and Protection Insurance Program for Schools (PIPS) public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2021, the District made payments of \$2,304,332 and \$5,681,869 to SCR and PIPS, respectively.

**Note 16 - Restatement of Prior Year Net Position and Fund Balance**

As of June 30, 2021, the Rialto Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Activities
Beginning Fund Balance previously reported at June 30, 2020	\$ 30,213,910	\$ 166,679,960
Reclassification of student activity funds from agency funds to a special revenue fund	1,384,444	1,384,444
Fund Balance - Beginning, as Restated at July 1, 2020	\$ 31,598,354	\$ 168,064,404
 Government-Wide Financial Statements		
Governmental Activities		
Net Position - Beginning, previously reported at June 30, 2020		\$ 84,800,909
Reclassified student body funds from fiduciary fund to special revenue fund		1,384,444
Net Position - Beginning, as Restated at July 1, 2020		\$ 86,185,353



Required Supplementary Information  
June 30, 2021

**Rialto Unified School District**

Rialto Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 280,998,055	\$ 279,715,075	\$ 280,954,452	\$ 1,239,377
Federal sources	53,781,961	61,391,916	54,288,043	(7,103,873)
Other State sources	26,872,929	48,614,173	40,188,453	(8,425,720)
Other local sources	12,387,132	16,113,362	21,204,720	5,091,358
Total revenues <sup>1</sup>	<u>374,040,077</u>	<u>405,834,526</u>	<u>396,635,668</u>	<u>(9,198,858)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	132,313,925	131,765,327	130,738,917	1,026,410
Classified salaries	51,453,224	46,607,434	46,216,652	390,782
Employee benefits	94,736,620	97,034,875	97,539,757	(504,882)
Books and supplies	32,095,397	34,116,219	30,776,373	3,339,846
Services and operating expenditures	56,527,064	46,614,456	41,009,658	5,604,798
Capital outlay	3,021,228	3,650,193	8,062,192	(4,411,999)
Other outgo	700,506	597,668	(390,075)	987,743
<b>Debt service</b>				
Debt service - principal	-	-	839,998	(839,998)
Debt service - interest and other	-	-	460,357	(460,357)
Total expenditures <sup>1</sup>	<u>370,847,964</u>	<u>360,386,172</u>	<u>355,253,829</u>	<u>5,132,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,192,113</u>	<u>45,448,354</u>	<u>41,381,839</u>	<u>(4,066,515)</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(1,055,225)</u>	<u>(8,231,080)</u>	<u>(7,396,942)</u>	<u>834,138</u>
Net Change in Fund Balances	2,136,888	37,217,274	33,984,897	(3,232,377)
Fund Balance - Beginning	<u>79,954,076</u>	<u>79,954,076</u>	<u>79,954,076</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 82,090,964</u>	<u>\$ 117,171,350</u>	<u>\$ 113,938,973</u>	<u>\$ (3,232,377)</u>

<sup>1</sup> Due to the consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Rialto Unified School District  
 Budgetary Comparison Schedule – Cafeteria Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 14,033,285	\$ 27,775,440	\$ 42,468,446	\$ 14,693,006
Other State sources	1,037,968	-	136,278	136,278
Other local sources	514,068	619,068	699,990	80,922
Total revenues	<u>15,585,321</u>	<u>28,394,508</u>	<u>43,304,714</u>	<u>14,910,206</u>
<b>Expenditures</b>				
<b>Current</b>				
Classified salaries	5,315,712	6,367,115	3,903,016	2,464,099
Employee benefits	2,406,172	4,154,028	2,565,010	1,589,018
Books and supplies	10,201,508	12,452,687	8,017,209	4,435,478
Services and operating expenditures	604,390	326,328	412,946	(86,618)
Capital Outlay	2,000,000	5,000,000	29,852	4,970,148
Other outgo	408,603	587,117	219,902	367,215
Total expenditures	<u>20,936,385</u>	<u>28,887,275</u>	<u>15,147,935</u>	<u>13,739,340</u>
Net Change in Fund Balances	(5,351,064)	(492,767)	28,156,779	28,649,546
Fund Balance - Beginning	<u>24,870,915</u>	<u>24,870,915</u>	<u>24,870,915</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 19,519,851</u>	<u>\$ 24,378,148</u>	<u>\$ 53,027,694</u>	<u>\$ 28,649,546</u>

Rialto Unified School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,527,692	\$ 1,324,117	\$ 1,442,282	\$ 1,400,274
Interest	2,159,813	2,267,816	2,092,781	2,008,596
Changes of benefit terms		494,652	-	-
Difference between expected and actual experience	-	(2,810,578)	-	-
Changes of assumptions	-	2,322,127	-	-
Benefit payments	(2,903,079)	(1,768,631)	(2,110,240)	(1,904,338)
Net change in total OPEB liability	784,426	1,829,503	1,424,823	1,504,532
Total OPEB Liability - Beginning	39,173,755	37,344,252	35,919,429	34,414,897
Total OPEB Liability - Ending (a)	<u>\$ 39,958,181</u>	<u>\$ 39,173,755</u>	<u>\$ 37,344,252</u>	<u>\$ 35,919,429</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 6,002,713	\$ 1,768,631	\$ 5,102,064	\$ 4,468,974
Net investment income	794,194	708,849	425,356	189,251
Benefit payments	(2,903,079)	(1,768,631)	(2,110,240)	(1,904,338)
Administrative expense	(6,180)	(1,932)	(10,258)	(2,225)
Net change in plan fiduciary net position	3,887,648	706,917	3,406,922	2,751,662
Plan Fiduciary Net Position - Beginning	9,615,336	8,908,419	5,501,497	2,749,835
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,502,984</u>	<u>\$ 9,615,336</u>	<u>\$ 8,908,419</u>	<u>\$ 5,501,497</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 26,455,197</u>	<u>\$ 29,558,419</u>	<u>\$ 28,435,833</u>	<u>\$ 30,417,932</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33.79%	24.55%	23.85%	15.32%
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Net OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Rialto Unified School District  
Schedule of District Contributions for OPEB  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 3,158,926	\$ 3,066,919	\$ 3,081,579	\$ 2,991,824
Contribution in relation to the actuarially determined contribution	<u>6,002,713</u>	<u>2,188,863</u>	<u>2,241,452</u>	<u>4,651,439</u>
Contribution deficiency (excess)	<u>\$ (2,843,787)</u>	<u>\$ 878,056</u>	<u>\$ 840,127</u>	<u>\$ (1,659,615)</u>
Covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Contributions as a percentage of covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> Contributions are not made based on a measure of pay.  
Therefore, no measure of payroll is presented.

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



Rialto Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.4020%	0.4114%	0.4039%	0.4164%
Proportionate share of the net OPEB liability	1,703,425	\$ 1,532,133	\$ 1,546,048	\$ 1,751,648
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

**Rialto Unified School District**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.2307%	0.2326%	0.2250%	0.2300%	0.2280%	0.2290%	0.2020%
Proportionate share of the net pension liability	\$ 223,552,587	\$ 210,050,732	\$ 206,790,750	\$ 212,704,000	\$ 184,408,680	\$ 154,171,960	\$ 118,042,470
State's proportionate share of the net pension liability	115,241,385	114,596,698	118,397,956	125,834,915	104,996,028	81,539,753	71,280,019
Total	<u>\$ 338,793,972</u>	<u>\$ 324,647,430</u>	<u>\$ 325,188,706</u>	<u>\$ 338,538,915</u>	<u>\$ 289,404,708</u>	<u>\$ 235,711,713</u>	<u>\$ 189,322,489</u>
Covered payroll	<u>\$ 126,246,263</u>	<u>\$ 126,404,410</u>	<u>\$ 120,818,288</u>	<u>\$ 120,654,817</u>	<u>\$ 116,779,730</u>	<u>\$ 104,660,822</u>	<u>\$ 100,458,242</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>177.08%</u>	<u>166.17%</u>	<u>171.16%</u>	<u>176.29%</u>	<u>157.91%</u>	<u>147.31%</u>	<u>117.50%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.3493%	0.3418%	0.3266%	0.3192%	0.3108%	0.3249%	0.3270%
Proportionate share of the net pension liability	\$ 107,190,624	\$ 99,613,229	\$ 87,081,842	\$ 76,201,465	\$ 61,383,192	\$ 47,890,581	\$ 37,122,462
Covered payroll	<u>\$ 50,704,280</u>	<u>\$ 47,724,604</u>	<u>\$ 43,453,969</u>	<u>\$ 41,551,721</u>	<u>\$ 38,822,917</u>	<u>\$ 35,822,623</u>	<u>\$ 34,558,848</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>211.40%</u>	<u>208.73%</u>	<u>200.40%</u>	<u>183.39%</u>	<u>158.11%</u>	<u>133.69%</u>	<u>107.42%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Rialto Unified School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 20,407,816	\$ 21,588,111	\$ 20,578,638	\$ 17,434,079	\$ 15,178,376	\$ 12,530,465	\$ 9,293,881
Less contributions in relation to the contractually required contribution	20,407,816	21,588,111	20,578,638	17,434,079	15,178,376	12,530,465	9,293,881
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 126,364,186	\$ 126,246,263	\$ 126,404,410	\$ 120,818,288	\$ 120,654,817	\$ 116,779,730	\$ 104,660,822
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>							
Contractually required contribution	\$ 10,389,114	\$ 9,999,391	\$ 8,620,018	\$ 6,748,836	\$ 5,770,703	\$ 4,599,351	\$ 4,216,681
Less contributions in relation to the contractually required contribution	10,389,114	9,999,391	8,620,018	6,748,836	5,770,703	4,599,351	4,216,681
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 50,188,957	\$ 50,704,280	\$ 47,724,604	\$ 43,453,969	\$ 41,551,721	\$ 38,822,917	\$ 35,822,623
Contributions as a percentage of covered payroll	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

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

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

These schedules presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – The healthcare trend rate was changed from 5.90 to 5.80 since the previous measurement.

### **Schedule of District Contributions for OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50 percent to 2.21 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions**

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



Supplementary Information  
June 30, 2021

## Rialto Unified School District

Rialto Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed through California Department of Education (CDE)			
COVID-19 Coronavirus Relief Fund (CRF) - Learning Loss Mitigation	21.019	25516	27,180,346
Passed through San Bernardino County Superintendent of Schools (SBCSS)			
COVID-19 Coronavirus Relief Fund (CRF) - Learning Loss Mitigation	21.019	N/A	<u>1,397,050</u>
Subtotal			<u>28,577,396</u>
Total U.S. Department of Treasury			<u>28,577,396</u>
U.S. Department of Education			
Passed Through CDE			
Adult Education - Basic Grants to States ELA	84.002	14508	296,380
Adult Education - Basic Grants to States Secondary	84.002	13978	<u>280,500</u>
Subtotal			<u>576,880</u>
Title I Grant to Local Educational Agencies - Low Income and Neglected	84.010	14329	10,227,820
Title I Grant to Local Educational Agencies - School Improvement Funding	84.010	15438	<u>880,430</u>
Subtotal			<u>11,108,250</u>
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	5,719,125
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	182,103
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C	15517	1,362,895
COVID-19 Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	<u>1,402,573</u>
Subtotal			<u>8,666,696</u>
Supporting Effective Instruction State Grants	84.367	14341	641,432
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	680,709
Student Support and Academic Enrichment Program	84.424	15396	576,428
Twenty-First Century Community Learning Centers	84.287	14535	237,500
Career and Technical Education - Basic Grants to States	84.048	14894	226,613
Passed Through East Valley SELPA			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	4,336,901
Special Education Grants to States - Private School ISP	84.027	10115	4,597
Special Education Grant to States - Mental Health Allocation	84.027A	15197	<u>281,510</u>
Subtotal			<u>4,623,008</u>

Rialto Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Special Education Preschool Grants	84.173	13430	105,275
Special Education Preschool Grants - Capacity Building	84.173A	13839	3,610
Special Education Preschool Grants - Preschool Staff	84.173A	13431	690
Subtotal			<u>109,575</u>
Total Special Education Cluster			<u>4,732,583</u>
Total U.S. Department of Education			<u>27,447,091</u>
U.S. Department of Health and Human Services			
Passed SBCSS			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	10031	500
Total U.S. Department of Health and Human Services			<u>500</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	1,013,046
National School Lunch Program - Meal Supplements	10.555	13755	149,224
National School Lunch Program - Commodities	10.555	13396	2,673,507
Subtotal			<u>3,835,777</u>
School Breakfast Program - Basic	10.553	13390	93,133
School Breakfast Program - Especially Needy	10.553	13526	518,469
Subtotal			<u>611,602</u>
Summer Food Services Program for Children - Operations	10.559	13004	21,548,541
Summer Food Services Program for Children - Administration	10.559	13006	2,209,000
Subtotal			<u>23,757,541</u>
Total Child Nutrition Cluster			<u>28,204,920</u>
Child and Adult Care Food Program	10.558	13393	12,255,848
Fresh Fruit and Vegetable Program	10.582	14968	605,106
Total U.S. Department of Agriculture			<u>41,065,874</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	[1]	242,509
Total U.S. Department of Defense			<u>242,509</u>
Total Federal Financial Assistance			<u>\$ 97,333,370</u>



**ORGANIZATION**

The Rialto Unified School District (the District) was unified on July 1, 1964 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary, five middle, three high schools, a continuation high school, an alternative high school, an adult school, a preschool program, and an infant program. There were no boundary changes during the year.

**GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Mr. Joseph Martinez	President	2024
Mr. Edgar Montes	Vice President	2022
Mrs. Stephanie Lewis	Clerk	2024
Ms. Diana Walker	Member	2022
Mrs. Nancy G. O’Kelley	Member	2024

**ADMINISTRATION**

Dr. Cuauhtemoc Avila	Superintendent
Dr. Darren McDuffie	Lead Strategic Agent
Diane Romo	Lead Business Services Agent
Nicole Albiso	Lead Fiscal Services Agent

Rialto Unified School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A*	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	176	N/A	2	178	Complied
Grade 10	176	N/A	2	178	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	176	N/A	2	178	Complied

The District received an approved J-13A for 2 days.

Rialto Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2021

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

	Cafeteria Fund
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 50,284,697
Increase in	
Accounts receivable	2,742,997
Balance, June 30, 2021, Audited Financial Statements	\$ 53,027,694

Rialto Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund <sup>3</sup>				
Revenues	\$ 372,349,042	\$ 396,519,898	\$ 343,773,234	\$ 342,202,504
Other sources	-	-	-	1,726,231
<b>Total Revenues and Other Sources</b>	<b>372,349,042</b>	<b>396,519,898</b>	<b>343,773,234</b>	<b>343,928,735</b>
Expenditures	415,839,457	351,511,212	332,735,116	341,075,129
Other uses and transfers out	3,179,573	9,863,097	7,665,845	4,897,782
<b>Total Expenditures and Other Uses</b>	<b>419,019,030</b>	<b>361,374,309</b>	<b>340,400,961</b>	<b>345,972,911</b>
Increase/(Decrease) in Fund Balance	(46,669,988)	35,145,589	3,372,273	(2,044,176)
Ending Fund Balance	<u>\$ 61,463,391</u>	<u>\$ 108,133,379</u>	<u>\$ 72,987,790</u>	<u>\$ 69,615,517</u>
Available Reserves <sup>2</sup>	<u>\$ 5,749,282</u>	<u>\$ 14,665,227</u>	<u>\$ 10,212,124</u>	<u>\$ 23,041,598</u>
Available Reserves as a Percentage of Total Outgo	<u>1.37%</u>	<u>4.06%</u>	<u>3.00%</u>	<u>6.66%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 523,553,141</u>	<u>\$ 506,277,979</u>	<u>\$ 461,540,473</u>
K-12 Average Daily Attendance at P-2	<u>22,989</u>	<u>24,042</u>	<u>24,042</u>	<u>24,081</u>

The General Fund balance has increased by \$38,517,862 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$46,669,988 (43.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$62,012,668 over the past two years.

Average daily attendance has decreased by 39 over the past two years. Additional decline of 1,053 in ADA is anticipated during fiscal year 2021-2022.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund as required by GASB Statement No. 54.

Rialto Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>Assets</b>								
Deposits and investments	\$ 1,132,511	\$ 283,553	\$ 3,263,576	\$ 8,840,570	\$ 1,721,189	\$ 11,422,653	\$ 12,116,854	\$ 38,780,906
Receivables	-	779,929	99,340	66,473	6,165	21,831	-	973,738
Due from other funds	-	2,563	305	189,741	-	2,818,949	-	3,011,558
Prepaid expenditures	-	-	-	9,450	-	-	-	9,450
<b>Total assets</b>	<b>\$ 1,132,511</b>	<b>\$ 1,066,045</b>	<b>\$ 3,363,221</b>	<b>\$ 9,106,234</b>	<b>\$ 1,727,354</b>	<b>\$ 14,263,433</b>	<b>\$ 12,116,854</b>	<b>\$ 42,775,652</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 150,810	\$ 218,768	\$ 138,979	\$ 57,016	\$ 48,632	\$ -	\$ 614,205
Due to other funds	-	116,713	1,534,305	-	189,741	-	-	1,840,759
<b>Total liabilities</b>	<b>-</b>	<b>267,523</b>	<b>1,753,073</b>	<b>138,979</b>	<b>246,757</b>	<b>48,632</b>	<b>-</b>	<b>2,454,964</b>
<b>Fund Balances</b>								
Nonspendable	-	-	-	9,450	-	-	-	9,450
Restricted	1,132,511	798,522	1,043,588	8,957,805	1,480,597	-	12,116,854	25,529,877
Assigned	-	-	566,560	-	-	14,214,801	-	14,781,361
<b>Total fund balances</b>	<b>1,132,511</b>	<b>798,522</b>	<b>1,610,148</b>	<b>8,967,255</b>	<b>1,480,597</b>	<b>14,214,801</b>	<b>12,116,854</b>	<b>40,320,688</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,132,511</b>	<b>\$ 1,066,045</b>	<b>\$ 3,363,221</b>	<b>\$ 9,106,234</b>	<b>\$ 1,727,354</b>	<b>\$ 14,263,433</b>	<b>\$ 12,116,854</b>	<b>\$ 42,775,652</b>

Rialto Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund
<b>Revenues</b>				
Federal sources	\$ -	\$ 576,880	\$ 259,088	\$ -
Other State sources	-	1,165,924	4,193,310	-
Other local sources	191,747	27,921	241,755	3,440,745
<b>Total revenues</b>	<b>191,747</b>	<b>1,770,725</b>	<b>4,694,153</b>	<b>3,440,745</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	849,043	3,533,072	-
Instruction-related activities				
Supervision of instruction	-	8,792	136,967	-
School site administration	-	383,149	1,004,302	-
Pupil services				
All other pupil services	-	166,252	63,595	-
Administration				
All other administration	-	34,652	211,935	-
Plant services	-	18,581	221,673	-
Ancillary services	443,680	-	-	-
Facility acquisition and construction	-	-	8,050	1,899,184
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total expenditures</b>	<b>443,680</b>	<b>1,461,021</b>	<b>5,179,594</b>	<b>1,899,184</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(251,933)</b>	<b>309,704</b>	<b>(485,441)</b>	<b>1,541,561</b>
<b>Other Financing Sources</b>				
Transfers in	-	-	1,055,225	186,746
Transfers out	-	-	-	-
<b>Net Financing Sources</b>	<b>-</b>	<b>-</b>	<b>1,055,225</b>	<b>186,746</b>
<b>Net Change in Fund Balances</b>	<b>(251,933)</b>	<b>309,704</b>	<b>569,784</b>	<b>1,728,307</b>
Fund Balance - Beginning, as restated	1,384,444	488,818	1,040,364	7,238,948
<b>Fund Balance - Ending</b>	<b>\$ 1,132,511</b>	<b>\$ 798,522</b>	<b>\$ 1,610,148</b>	<b>\$ 8,967,255</b>

Rialto Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2021

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ -	\$ 439,855	\$ 1,275,823
Other State sources	1,488,197	-	71,522	6,918,953
Other local sources	38,105	172,845	9,567,969	13,681,087
Total revenues	<u>1,526,302</u>	<u>172,845</u>	<u>10,079,346</u>	<u>21,875,863</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	4,382,115
Instruction-related activities				
Supervision of instruction	-	-	-	145,759
School site administration	-	-	-	1,387,451
Pupil services				
All other pupil services	-	-	-	229,847
Administration				
All other administration	-	-	-	246,587
Plant services	-	-	-	240,254
Ancillary services	-	-	-	443,680
Facility acquisition and construction	1,511,029	55,174	-	3,473,437
Debt service				
Principal	-	-	6,687,683	6,687,683
Interest and other	-	-	3,313,106	3,313,106
Total expenditures	<u>1,511,029</u>	<u>55,174</u>	<u>10,000,789</u>	<u>20,550,471</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,273</u>	<u>117,671</u>	<u>78,557</u>	<u>1,325,392</u>
<b>Other Financing Sources</b>				
Transfers in	-	6,341,717	-	7,583,688
Transfers out	(186,746)	-	-	(186,746)
Net Financing Sources	<u>(186,746)</u>	<u>6,341,717</u>	<u>-</u>	<u>7,396,942</u>
Net Change in Fund Balances	(171,473)	6,459,388	78,557	8,722,334
Fund Balance - Beginning, as restated	<u>1,652,070</u>	<u>7,755,413</u>	<u>12,038,297</u>	<u>31,598,354</u>
Fund Balance - Ending	<u>\$ 1,480,597</u>	<u>\$ 14,214,801</u>	<u>\$ 12,116,854</u>	<u>\$ 40,320,688</u>

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Rialto Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Rialto Unified School District, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of Rialto Unified School District.

### **Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

### **Indirect Cost Rate**

The District has not elected to use the ten percent de minimis cost rate.

### **Food Donation**

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District did not report any commodities inventory.

### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

### **Schedule of Instructional Time**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.



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

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

**Schedule of Financial Trends and Analysis**

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

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

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



Independent Auditor's Reports  
June 30, 2021

# Rialto Unified School District



**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***

To the Board of Directors  
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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Rialto Unified School District’s basic financial statements and have issued our report thereon dated December 15, 2021.

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

As discussed in Notes 1 and 16 to the financial statements, Rialto Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rialto Unified School District’s internal control over financial reporting (internal control) as a basis for designing 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 Rialto Unified School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Rialto Unified School District’s internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* as item 2021-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **Rialto Unified School District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 15, 2021



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Rialto Unified School District  
Rialto, California

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

We have audited Rialto Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rialto Unified School District's major federal programs for the year ended June 30, 2021. Rialto Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with 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 Rialto Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rialto Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Rialto Unified School District's 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, 2021.

### **Report on Internal Control over Compliance**

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

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

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

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 15, 2021



## Independent Auditor's Report on State Compliance

To the Board of Directors  
Rialto Unified School District  
Rialto, California

### **Report on State Compliance**

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements 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.

**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 laws and regulations applicable to the following items:

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

**Early Retirement Incentive**

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

**Apprenticeship: Related and Supplemental Instruction**

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

**District of Choice**

We did not perform District of Choice procedures because the program is not offered by the District.



Independent Study - Course Based

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

Charter Schools

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

***Basis for Qualified Opinion on Instructional Time***

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, as items 2021-002, Rialto Unified School District did not comply with requirements regarding the Instructional Time. Compliance with such requirements is necessary, in our opinion, for Rialto Unified School District to comply with the requirements referred to above.

***Qualified Opinion on Instructional Time***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Rialto Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

Rialto Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Rialto Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, Rialto Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 15, 2021



Schedule of Findings and Questioned Costs  
June 30, 2021

# Rialto Unified School District

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Coronavirus Relief Fund: Learning Loss Mitigation Education Stabilization Fund	21.019 84.425C & 84.425D
Child and Adult Care Food Program	10.558
Child Nutrition Cluster	10.553, 10.555 & 10.559
Dollar threshold used to distinguish between type A and type B programs	\$2,920,001
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Type of auditor's report issued on compliance for programs	Unmodified*
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\*Unmodified for all programs except for the following program which was qualified

Name of Program
Instructional Time

The following findings represent material weakness related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

**2021-001      30000**

**Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District’s financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

**Condition**

During the course of our engagement, we identified a material misstatement of balances presented within the District’s Cafeteria Fund (Fund 13), as reported on the 2020-2021 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a receivable of \$2,742,997 related to meal reimbursements due from the State. This resulted in an understatement of revenues reported in the Cafeteria Fund (Fund 13) by \$2,742,997.

**Questioned Costs**

There were no questioned costs associated with the condition identified.

**Context**

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District’s 2020-2021 unaudited financial statements.

**Effect**

The effect of this error resulted in a misstatement that was not detected or prevented by the District’s internal control. As reported on the 2020-2021 unaudited financial statements, the District’s Cafeteria Fund’s (Fund 13) ending fund balance was understated by \$2,742,997 as of June 30, 2021.

**Cause**

The cause of the condition identified appears to be attributed to the change in personnel that are responsible for closing the District’s fiscal year-end. In conjunction, the condition identified appears to be due to the inadequate review process related to the preparation of the District’s year-end financial statements, which includes the review of revenues and accounts receivables to determine their proper reporting period.

**Repeat Finding**

No.

**Recommendation**

In light of condition identified, the District should exercise care during its annual year-end closing process. The District should implement a process to review all balances during its year-end closing process to determine the proper cut-off period for revenues.

**Corrective Action Plan/Views of Responsible Officials**

Internal controls will be changed to improve the accuracy of accruals. The deadlines will be modified to allow more time for review of account balances and supporting documentation.

None reported.

The following finding represents an instance of noncompliance and/or questioned costs relating to the compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

*Instructional Time*

**2021-002      40000**

**Criteria or Specific Requirements**

According to *Education Code* Section 46200, a District must offer 180 school days per year for traditional calendar schools, and 163 days per year for year-round calendar schools to be eligible to receive long-year incentive funding. In addition, *Education Code* Section 46141 states that the minimum school days in grades nine through twelve is 240 minutes and *Education Code* Section 46142 allows the minimum school day minutes to be computed using an average of 2 consecutive school days to arrive at the minimum school day, as long as the number of minutes in any one school day is never less than 180 minutes. In order to count a school day as a day of instruction for incentive funding under *Education Code* Section 42600, the District must meet the minimum daily minute requirements of *Education Code* Section 46141 and 46142.

**Condition**

The District did not meet the minimum day requirement for grades nine, ten, and twelve at one of its high schools for four days, and as a result, only offered 178 school days during the fiscal year of 2020-2021. The following schedule summarizes the non-compliance:

**Questioned Costs**

Using the California Department of Education’s latest published “Estimating the Cost of an Instructional Time Audit Penalty” worksheet, the penalty calculation is as follows:

ADA for grade levels affected (9<sup>th</sup> through 12<sup>th</sup> grade ADA as reported on Second Period Report of Attendance from 2019-2020) – 7,508.08 ADA  
 Derived Value of ADA - \$12,868.21  
 Days Non-Compliant – 4 day  
 Calculation –  $0.0056 \times 7,508.08 \text{ ADA} \times \$12,868.21 \times 2 = \$1,082,094$

**Context**

The condition was communicated by the District. The District was severely impacted by a cyberattack that was launched against the District during September of 2020. As a result of the cyberattack, the District’s internal systems were rendered inoperable and creating a condition that prevented the District from operating under distance learning conditions.

**Effect**

As a result of the condition identified, the District did not comply with *Education Code* Section 46200 and will be penalized by the State for a total of \$1,082,094.

**Cause**

The cause is directly attributed to the District's IT systems becoming compromised by an external cyberattack.

**Repeat Finding**

No.

**Recommendation**

On a go-forward basis, the District should consider having an alternative instruction plan when and if there are similar operating conditions where the IT systems are rendered inoperable. Additionally, the District should perform a comprehensive and on-going evaluation of its cyber security measure to ensure that the District does not get comprised in the future.

**Corrective Action Plan/Views of Responsible Officials**

In August 2021, the District faced an unprecedented global pandemic in which the delivery of in-person instruction was not allowed and all learning occurred virtually. To aggravate the situation, the District experienced a cyber incident on August 21, 2021. To protect the integrity of the District's technology infrastructure all systems were disabled. This halted all virtual learning until the District's Information Technology department was able to implement corrective measures. All elementary and middle schools were able to resume virtual instruction on August 25, 2021. The high schools were unable to resume virtual instruction due to the type of laptops used; however, project-based learning lessons were given to all students to ensure their learning would continue. This immediate action reduced the number of missed instructional days from 10 days to 4 days.

The District adopted an Instructional & Operational Plan that includes the preparation of two weeks' worth of instructional packets that may be used in a situation where in-class instruction is not feasible. The amount of work provided, gives the District the opportunity to meet the minimum instructional minutes and instructional days requirement.

To mitigate the risk of future incidents, the District implemented several actions. The District changed the platform used for email. The new platform has enhanced security features. The password policy was updated to require the use a complex passphrase for login. Each user's passphrase needs to be reset every 90 days and the same passphrase cannot be used for 10 cycles of passphrase renewal. Every Windows client and server was installed with an endpoint protection software to prevent cyber incidents. Additional staff and procedures have been implemented to support the cyber security infrastructure.



There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.