

**RIALTO UNIFIED SCHOOL DISTRICT  
SAN BERNARDINO COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2017**



**RIALTO UNIFIED SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Rialto Unified School District  
Rialto, CA 92376

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

### **Opinions**

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

### **Other Information**

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

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Rialto Unified School District  
Rialto, CA 92376

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
November 27, 2017

# RIALTO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

### MD&A

#### Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

#### Financial Highlights

- Overall revenues and other financing sources for governmental activities totaled \$325.2 million or \$9.1 million more than expenditures.
- Overall the District's net capital assets increased by \$8.4 million or 2.6% over the course of the year. This was primarily due to the completion of the upgrade to the District's network.
- The District's total long-term debt obligations increased by \$39.6 million during the current fiscal year. The increase was due to an increase in the Net Pension Liability
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$64.5 million or 17.3% of total General Fund expenditures.

#### Student Enrollment and Average Daily Attendance (ADA)

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

#### **Projected Student Enrollment –**

- Enrollment has been decreasing since the 2005-06 school year. On average, the District's enrollment has decreased by 260 students over the last three years.
- The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

# RIALTO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

### Projected Student Average Daily Attendance (ADA) –

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

### Fund Financial Statements

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

The District maintains three classes of funds:

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

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

# RIALTO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

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

### Statement of Net Position

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

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

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

The Statement of Net Position for both the governmental activities and the business-type activities for the years ended June 30, 2016 and June 30, 2017 are summarized and analyzed below:

| <b>Summary of Statement of Net Position</b> | <b>Governmental Activities</b> |                              | <b>Variance</b>            |
|---|--------------------------------|------------------------------|----------------------------|
|   | <b>2016-17</b>                 | <b>2015-16</b>               |                            |
| Non-capital Assets                          | \$ 135,528,511                 | \$ 130,426,990               | \$ 5,101,521               |
| Capital Assets                              | <u>335,454,986</u>             | <u>326,969,428</u>           | <u>8,485,558</u>           |
| Total Assets                                | <u>470,983,497</u>             | <u>457,396,418</u>           | <u>13,587,079</u>          |
| Deferred Outflows of Resources              | <u>62,363,185</u>              | <u>38,209,719</u>            | <u>24,153,466</u>          |
| Current Liabilities                         | 30,239,925                     | 29,232,730                   | 1,007,195                  |
| Long Term Liabilities                       | <u>378,538,928</u>             | <u>338,975,889</u>           | <u>39,563,039</u>          |
| Total Liabilities                           | <u>408,778,853</u>             | <u>368,208,619</u>           | <u>40,570,234</u>          |
| Deferred Inflows of Resources               | <u>9,159,370</u>               | <u>21,081,414</u>            | <u>(11,922,044)</u>        |
| Net Position Invested in Capital Assets     | 227,985,686                    | 222,758,880                  | 5,226,806                  |
| Net Position Legally Restricted             | 29,609,511                     | 28,662,855                   | 946,656                    |
| Net Position Unrestricted                   | <u>(142,186,738)</u>           | <u>(145,105,631)</u>         | <u>2,918,893</u>           |
| Total Net Position                          | <u><u>\$ 115,408,459</u></u>   | <u><u>\$ 106,316,104</u></u> | <u><u>\$ 9,092,355</u></u> |

**RIALTO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

| <b>Summary of Statement of Net Position</b> | <b>Business-Type Activities</b> |                      | <b>Variance</b>     |
|---|---------------------------------|----------------------|---------------------|
|   | <b>2016-17</b>                  | <b>2015-16</b>       |                     |
| Non-capital Assets                          | \$ 20,248,777                   | \$ 20,971,361        | \$ (722,584)        |
| Capital Assets                              | <u>4,103,358</u>                | <u>4,380,043</u>     | <u>(276,685)</u>    |
| Total Assets                                | <u>24,352,135</u>               | <u>25,351,404</u>    | <u>(999,269)</u>    |
| Deferred Outflows of Resources              | <u>1,355,120</u>                | <u>571,823</u>       | <u>783,297</u>      |
| Current Liabilities                         | 458,490                         | 950,434              | (491,944)           |
| Long Term Liabilities                       | <u>4,709,220</u>                | <u>3,712,116</u>     | <u>997,104</u>      |
| Total Liabilities                           | <u>5,167,710</u>                | <u>4,662,550</u>     | <u>505,160</u>      |
| Deferred Inflows of Resources               | <u>340,920</u>                  | <u>493,369</u>       | <u>(152,449)</u>    |
| Net Position Invested in Capital Assets     | 4,103,358                       | 4,380,043            | (276,685)           |
| Net Position Unrestricted                   | <u>16,095,267</u>               | <u>16,387,265</u>    | <u>(291,998)</u>    |
| Total Net Position                          | <u>\$ 20,198,625</u>            | <u>\$ 20,767,308</u> | <u>\$ (568,683)</u> |

There was no significant changes in the operations or activities in the Business-Type activities – Nutrition Services in 2016-17. The largest difference was the increase in deferred outflows of resources which is a function of recording the net pension liability required by GASB 68. It should be noted that the district plans to record nutrition services to a special revenue fund beginning in 2017-18.

**RIALTO UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2017**

**Statement of Activities**

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

The Statement of Activities for the years ended June 30, 2016 and June 30, 2017 are summarized below:

|                                      | <u>Governmental Activities</u> |                       |                     |
|--------------------------------------|--------------------------------|-----------------------|---------------------|
|                                      | <u>2016-17</u>                 | <u>2015-16</u>        | <u>Variance</u>     |
| <b>Revenues</b>                      |                                |                       |                     |
| Program revenues:                    |                                |                       |                     |
| Charges for services                 | \$ 2,572,272                   | \$ 3,245,913          | \$ (673,641)        |
| Operating grants and contributions   | 51,578,792                     | 46,156,978            | 5,421,814           |
| Capital grants and contributions     | 27,831                         | 2,918,801             | (2,890,970)         |
| General revenues:                    |                                |                       |                     |
| Property Taxes                       | 31,179,639                     | 28,366,944            | 2,812,695           |
| Federal and state aid not restricted | 238,782,410                    | 232,018,494           | 6,763,916           |
| Interest and investment earnings     | 504,445                        | 255,840               | 248,605             |
| Miscellaneous                        | 572,288                        | 1,589,314             | (1,017,026)         |
| Total Revenues                       | <u>325,217,677</u>             | <u>314,552,284</u>    | <u>10,665,393</u>   |
| <b>Expenses</b>                      |                                |                       |                     |
| Instruction                          | 183,811,552                    | 161,354,763           | 22,456,789          |
| Instruction-related services         | 36,365,665                     | 33,339,634            | 3,026,031           |
| Pupil services                       | 28,407,472                     | 23,576,892            | 4,830,580           |
| Community services                   | 808                            | (8,308)               | 9,116               |
| General administration               | 15,581,034                     | 15,137,186            | 443,848             |
| Plant services                       | 29,926,780                     | 29,845,690            | 81,090              |
| Other outgo                          | -                              | 251,416               | (251,416)           |
| Debt service - interest              | 6,785,308                      | 6,047,802             | 737,506             |
| Depreciation (unallocated)           | 15,246,703                     | 14,925,532            | 321,171             |
| Total Expenses                       | <u>316,125,322</u>             | <u>284,470,607</u>    | <u>31,654,715</u>   |
| Change in net position               | <u>9,092,355</u>               | <u>30,081,677</u>     | <u>(20,989,322)</u> |
| Net Position, beginning of year      | <u>106,316,104</u>             | <u>76,234,427</u>     | <u>30,081,677</u>   |
| Net Position, end of year            | <u>\$ 115,408,459</u>          | <u>\$ 106,316,104</u> | <u>\$ 9,092,355</u> |

**RIALTO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**Statement of Activities (continued)**

|                                    | <b>Business-Type Activities</b> |                      | <b>Variance</b>     |
|------------------------------------|---------------------------------|----------------------|---------------------|
|                                    | <b>2016-17</b>                  | <b>2015-16</b>       |                     |
| <b>Revenues</b>                    |                                 |                      |                     |
| Program revenues:                  |                                 |                      |                     |
| Charges for services               | \$ 1,578,085                    | \$ 1,308,028         | \$ 270,057          |
| Operating grants and contributions | 14,721,283                      | 14,630,960           | 90,323              |
| General Revenues                   | -                               | 25,513               | -                   |
| Total Revenues                     | <u>16,299,368</u>               | <u>15,964,501</u>    | <u>360,380</u>      |
| <b>Expenses</b>                    |                                 |                      |                     |
| Enterprise activities              | <u>16,868,051</u>               | <u>15,613,327</u>    | <u>1,254,724</u>    |
| Total Expenses                     | <u>16,868,051</u>               | <u>15,613,327</u>    | <u>1,254,724</u>    |
| Change in net position             | (568,683)                       | 351,174              | (919,857)           |
| Net Position, beginning of year    | <u>20,767,308</u>               | <u>20,416,134</u>    | <u>351,174</u>      |
| Net Position, end of year          | <u>\$ 20,198,625</u>            | <u>\$ 20,767,308</u> | <u>\$ (568,683)</u> |

- Total revenues of the governmental activities increased by \$10.6 million between fiscal years. The increase is a result of Federal and State aide, the majority arising from the Local Control Funding Formula (LCFF) and one time state funds.
- Total expenses of the governmental activities increased in 2016-2017 by \$31.6 million between fiscal years. The increase is mainly attributed to the increase in salaries and benefits, the restoration of Class Size Reduction, investment in instructional technology and the Local Control Accountability Plan (LCAP) approved programs.

**Capital Assets and Debt Administration**

Capital Assets

As of June 30, 2016, the District had an increase of \$8.4 million invested in capital assets, net of depreciation, in governmental funds. The change is net effect of the completion of several classroom addition projects and the increase in depreciation expense.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation at year-end for 2016 and 2017 are presented below:

**RIALTO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**Capital Assets and Debt Administration (continued)**

|                                    | <b>Governmental Activities</b>  |                       |
|------------------------------------|---------------------------------|-----------------------|
|                                    | <b>Balance</b>                  | <b>Balance</b>        |
|                                    | <b>June 30, 2017</b>            | <b>June 30, 2016</b>  |
| Land                               | \$ 39,752,485                   | \$ 39,752,485         |
| Buildings and improvements         | 430,583,997                     | 414,191,137           |
| Equipment and vehicles             | 24,877,241                      | 22,784,168            |
| Construction in progress           | 25,666,161                      | 20,625,735            |
| Totals at historical cost          | <u>520,879,884</u>              | <u>497,353,525</u>    |
| Less: accumulated depreciation for |                                 |                       |
| Buildings and improvements         | 167,905,281                     | 154,044,461           |
| Equipment and vehicles             | <u>17,519,617</u>               | <u>16,339,636</u>     |
| Total accumulated depreciation     | <u>185,424,898</u>              | <u>170,384,097</u>    |
| Governmental capital assets, net   | <u>\$ 335,454,986</u>           | <u>\$ 326,969,428</u> |
|                                    | <b>Business-Type Activities</b> |                       |
|                                    | <b>Balance</b>                  | <b>Balance</b>        |
|                                    | <b>June 30, 2017</b>            | <b>June 30, 2016</b>  |
| Buildings                          | \$ 6,488,991                    | \$ 6,488,991          |
| Equipment                          | <u>1,978,089</u>                | <u>1,913,071</u>      |
| Totals at historical cost          | <u>8,467,080</u>                | <u>8,402,062</u>      |
| Less: accumulated depreciation for |                                 |                       |
| Buildings                          | 2,762,064                       | 2,444,165             |
| Equipment                          | <u>1,601,658</u>                | <u>1,577,854</u>      |
| Total accumulated depreciation     | <u>4,363,722</u>                | <u>4,022,019</u>      |
| Business-Type capital assets, net  | <u>\$ 4,103,358</u>             | <u>\$ 4,380,043</u>   |

Debt

Notes 7-12 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year-end for 2016 and 2017 is presented below:

**RIALTO UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2017**

|   | <u>Governmental Activities</u> |                       |
|---|--------------------------------|-----------------------|
|   | <u>Balance</u>                 | <u>Balance</u>        |
|   | <u>June 30, 2017</u>           | <u>June 30, 2016</u>  |
| General obligation bonds, including accreted interest | \$ 119,260,894                 | \$ 121,230,578        |
| Certificates of participation                         | 4,995,000                      | 5,640,000             |
| Child care facilities revolving fund                  | -                              | 26,000                |
| City of Rialto redevelopment agency loan              | 4,961,941                      | 5,031,941             |
| Compensated absences                                  | 965,832                        | 815,742               |
| Net Pension Liability                                 | 241,082,652                    | 198,350,425           |
| Post employment healthcare benefits                   | 7,272,609                      | 7,881,203             |
|   | <u>\$ 378,538,928</u>          | <u>\$ 338,975,889</u> |

|                       | <u>Business-Type Activities</u> |                      |
|-----------------------|---------------------------------|----------------------|
|                       | <u>Balance</u>                  | <u>Balance</u>       |
|                       | <u>June 30, 2017</u>            | <u>June 30, 2016</u> |
| Net Pension Liability | \$ 4,709,220                    | \$ 3,712,116         |
|                       | <u>\$ 4,709,220</u>             | <u>\$ 3,712,116</u>  |

**Economic Factors That May Affect the Future**

**2016-17 STATE BUDGET** - The Local Control Funding Formula (LCFF) has increased the funding and resources for all school districts. The new funding model gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students.

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

The LCFF provides a positive forecast for the future of education; however, the District will have to be strategic and cautious in administering its finances. There is no statutory guaranteed increase in any given year. It is anticipated that it will take eight years to fully fund LCFF. The Department of Finance’s Gap funding rate, COLA, and unduplicated pupil count will determine

**RIALTO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

the incremental funding in each of the upcoming years until the school district receives full funding. A conservative approach must be taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

**Contacting the District's Financial Management**

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

**FINANCIAL SECTION**

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2017**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b><u>Assets</u></b>                             |                            |                             |                       |
| Cash on hand and in banks                        | \$ 118,803,793             | \$ 17,233,684               | \$ 136,037,477        |
| Accounts receivable                              |                            |                             |                       |
| Federal and state governments                    | 11,966,546                 | 3,160,923                   | 15,127,469            |
| Miscellaneous                                    | 3,541,331                  | 203,284                     | 3,744,615             |
| Internal balances                                | 844,303                    | (844,303)                   | -                     |
| Inventories                                      | 167,199                    | 495,189                     | 662,388               |
| Prepaid expenses                                 | 205,339                    | -                           | 205,339               |
| Land   | 39,752,485                 | -                           | 39,752,485            |
| Construction in progress                         | 25,666,161                 | -                           | 25,666,161            |
| Depreciable assets, net                          | 270,036,340                | 4,103,358                   | 274,139,698           |
| <b>Total Assets</b>                              | <b>470,983,497</b>         | <b>24,352,135</b>           | <b>495,335,632</b>    |
| <br><b><u>Deferred Outflows of Resources</u></b> |                            |                             |                       |
| Deferred charge on refunding                     | 1,898,855                  | -                           | 1,898,855             |
| Deferred outflows - pensions                     | 60,464,330                 | 1,355,120                   | 61,819,450            |
| <b>Total Deferred Outflows of Resources</b>      | <b>62,363,185</b>          | <b>1,355,120</b>            | <b>63,718,305</b>     |
| <br><b><u>Liabilities</u></b>                    |                            |                             |                       |
| Accounts payable and other current liabilities   | 27,642,634                 | 458,490                     | 28,101,124            |
| Accrued interest                                 | 1,039,404                  | -                           | 1,039,404             |
| Unearned revenue                                 | 1,557,887                  | -                           | 1,557,887             |
| Current portion of long-term liabilities         | 7,161,730                  | -                           | 7,161,730             |
| Non-current portion of long term liabilities     | 371,377,198                | 4,709,220                   | 376,086,418           |
| <b>Total Liabilities</b>                         | <b>408,778,853</b>         | <b>5,167,710</b>            | <b>413,946,563</b>    |
| <br><b><u>Deferred Inflows of Resources</u></b>  |                            |                             |                       |
| Deferred inflows - pensions                      | 9,159,370                  | 340,920                     | 9,500,290             |
| <br><b><u>Net Position</u></b>                   |                            |                             |                       |
| Net investment in capital assets                 | 227,985,686                | 4,103,358                   | 232,089,044           |
| Restricted for:                                  |                            |                             |                       |
| Debt service                                     | 9,138,294                  | -                           | 9,138,294             |
| Capital projects                                 | 7,397,405                  | -                           | 7,397,405             |
| Educational programs                             | 13,073,812                 | -                           | 13,073,812            |
| Unrestricted                                     | (142,186,738)              | 16,095,267                  | (126,091,471)         |
| <b>Total Net Position</b>                        | <b>\$ 115,408,459</b>      | <b>\$ 20,198,625</b>        | <b>\$ 135,607,084</b> |

See accompanying notes to the financial statements.

# RIALTO UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2017

| Functions   | Expenses              | Program Revenues        |                                       |                                     | Net (Expense) Revenue and Changes in Net Position |                             |                       |
|---|-----------------------|-------------------------|---------------------------------------|-------------------------------------|---|-----------------------------|-----------------------|
|   |                       | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Governmental<br>Activities                        | Business-type<br>Activities | Total                 |
| <b>Governmental Activities</b>                            |                       |                         |                                       |                                     |   |                             |                       |
| Instruction   | \$ 183,811,552        | \$ 327                  | \$ 32,721,355                         | \$ -                                | \$ (151,089,870)                                  | \$ -                        | \$ (151,089,870)      |
| Instruction - related services                            | 36,365,665            | 23                      | 6,701,923                             | -                                   | (29,663,719)                                      | -                           | (29,663,719)          |
| Pupil services  | 28,407,472            | -                       | 5,675,806                             | -                                   | (22,731,666)                                      | -                           | (22,731,666)          |
| Community services  | 808                   | -                       | -                                     | -                                   | (808)   | -                           | (808)                 |
| General administration                                    | 15,581,034            | 30,970                  | 1,722,478                             | -                                   | (13,827,586)                                      | -                           | (13,827,586)          |
| Plant services  | 29,926,780            | 1,535,969               | 3,640,442                             | 27,831                              | (24,722,538)                                      | -                           | (24,722,538)          |
| Other outgo   | -                     | 1,004,983               | 1,116,788                             | -                                   | 2,121,771   | -                           | 2,121,771             |
| Debt service - interest                                   | 6,785,308             | -                       | -                                     | -                                   | (6,785,308)                                       | -                           | (6,785,308)           |
| Depreciation (unallocated)                                | 15,246,703            | -                       | -                                     | -                                   | (15,246,703)                                      | -                           | (15,246,703)          |
| <b>Total Governmental Activities</b>                      | <u>316,125,322</u>    | <u>2,572,272</u>        | <u>51,578,792</u>                     | <u>27,831</u>                       | <u>(261,946,427)</u>                              | <u>-</u>                    | <u>(261,946,427)</u>  |
| <b>Business-type Activities</b>                           |                       |                         |                                       |                                     |   |                             |                       |
| Enterprise activities                                     | 16,868,051            | 1,578,085               | 14,721,283                            | -                                   | -   | (568,683)                   | (568,683)             |
| <b>Total Business-type Activities</b>                     | <u>16,868,051</u>     | <u>1,578,085</u>        | <u>14,721,283</u>                     | <u>-</u>                            | <u>-</u>  | <u>(568,683)</u>            | <u>(568,683)</u>      |
| <b>Total District</b>                                     | <u>\$ 332,993,373</u> | <u>\$ 4,150,357</u>     | <u>\$ 66,300,075</u>                  | <u>\$ 27,831</u>                    | <u>(261,946,427)</u>                              | <u>(568,683)</u>            | <u>(262,515,110)</u>  |
| <b>General Revenues</b>                                   |                       |                         |                                       |                                     |   |                             |                       |
| Property taxes levied for                                 |                       |                         |                                       |                                     |   |                             |                       |
| General purposes  |                       |                         |                                       |                                     | 21,259,100  | -                           | 21,259,100            |
| Debt service  |                       |                         |                                       |                                     | 8,128,071   | -                           | 8,128,071             |
| Other specific purposes                                   |                       |                         |                                       |                                     | 1,792,468   | -                           | 1,792,468             |
| Federal and state aid not restricted to specific purposes |                       |                         |                                       |                                     | 238,782,410                                       | -                           | 238,782,410           |
| Interest and investment earnings                          |                       |                         |                                       |                                     | 504,445   | -                           | 504,445               |
| Miscellaneous   |                       |                         |                                       |                                     | 572,288   | -                           | 572,288               |
| <b>Total General Revenues and Special Items</b>           |                       |                         |                                       |                                     | <u>271,038,782</u>                                | <u>-</u>                    | <u>271,038,782</u>    |
| Change in net position                                    |                       |                         |                                       |                                     | 9,092,355   | (568,683)                   | 8,523,672             |
| Net Position - Beginning of Year                          |                       |                         |                                       |                                     | 106,316,104                                       | 20,767,308                  | 127,083,412           |
| Net Position - End of Year                                |                       |                         |                                       |                                     | <u>\$ 115,408,459</u>                             | <u>\$ 20,198,625</u>        | <u>\$ 135,607,084</u> |

See accompanying notes to the financial statements.

# RIALTO UNIFIED SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

|   | General Fund                | Building Fund               | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------------|-----------------------------|------------------------------------|--------------------------------|
| <b><u>Assets</u></b>                        |                             |                             |                                    |                                |
| Cash in county treasury                     | \$ 72,533,902               | \$ 24,828,874               | \$ 21,351,017                      | \$ 118,713,793                 |
| Cash in revolving fund                      | 90,000                      | -                           | -                                  | 90,000                         |
| Accounts receivable                         |                             |                             |                                    |                                |
| Federal and state governments               | 11,365,594                  | -                           | 600,952                            | 11,966,546                     |
| Miscellaneous                               | 2,483,777                   | 78,632                      | 978,922                            | 3,541,331                      |
| Due from other funds                        | 1,345,653                   | -                           | 151,534                            | 1,497,187                      |
| Inventories                                 | 167,199                     | -                           | -                                  | 167,199                        |
| Prepaid expenditures                        | 195,889                     | -                           | 9,450                              | 205,339                        |
| <b>Total Assets</b>                         | <b><u>\$ 88,182,014</u></b> | <b><u>\$ 24,907,506</u></b> | <b><u>\$ 23,091,875</u></b>        | <b><u>\$ 136,181,395</u></b>   |
| <b><u>Liabilities and Fund Balances</u></b> |                             |                             |                                    |                                |
| <b>Liabilities</b>                          |                             |                             |                                    |                                |
| Accounts payable                            | \$ 21,951,474               | \$ 3,158,971                | \$ 2,532,189                       | \$ 27,642,634                  |
| Due to other funds                          | 152,353                     | -                           | 500,531                            | 652,884                        |
| Unearned revenue                            | 1,557,887                   | -                           | -                                  | 1,557,887                      |
| <b>Total Liabilities</b>                    | <b><u>23,661,714</u></b>    | <b><u>3,158,971</u></b>     | <b><u>3,032,720</u></b>            | <b><u>29,853,405</u></b>       |
| <b>Fund Balances</b>                        |                             |                             |                                    |                                |
| Nonspendable                                | 453,088                     | -                           | 9,450                              | 462,538                        |
| Restricted                                  | 12,428,216                  | 21,748,535                  | 18,220,699                         | 52,397,450                     |
| Assigned                                    | 39,450,000                  | -                           | 1,829,006                          | 41,279,006                     |
| Unassigned                                  | 12,188,996                  | -                           | -                                  | 12,188,996                     |
| <b>Total Fund Balances</b>                  | <b><u>64,520,300</u></b>    | <b><u>21,748,535</u></b>    | <b><u>20,059,155</u></b>           | <b><u>106,327,990</u></b>      |
| <b>Total Liabilities and Fund Balances</b>  | <b><u>\$ 88,182,014</u></b> | <b><u>\$ 24,907,506</u></b> | <b><u>\$ 23,091,875</u></b>        | <b><u>\$ 136,181,395</u></b>   |

See accompanying notes to the financial statements.

# RIALTO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balances - governmental funds \$ 106,327,990

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

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

|                          |                    |             |
|--------------------------|--------------------|-------------|
| Land                     | \$ 39,752,485      |             |
| Construction in progress | 25,666,161         |             |
| Depreciable assets, net  | <u>270,036,340</u> | 335,454,986 |

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

|  |                    |               |
|--|--------------------|---------------|
| Compensated absences                                     | (965,832)          |               |
| Certificates of participation (COPS)                     | (4,995,000)        |               |
| General obligation bonds                                 | (119,260,894)      |               |
| Other postemployment benefits other than pensions (OPEB) | (7,272,609)        |               |
| Net pension liability                                    | (241,082,652)      |               |
| City of Rialto redevelopment agency loan                 | <u>(4,961,941)</u> | (378,538,928) |

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

|                              |                    |            |
|------------------------------|--------------------|------------|
| Deferred charge on refunding | 1,898,855          |            |
| Deferred outflows - pensions | 60,464,330         |            |
| Deferred inflows - pensions  | <u>(9,159,370)</u> | 53,203,815 |

Interest expense related to certificates of participation and general obligation bonds payable was incurred but not accrued through June 30, 2017. (1,039,404)

Total net position - governmental activities \$ 115,408,459

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017**

|  | General Fund         | Building Fund        | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                      |                      |                                    |                                |
| Local control funding formula sources:               |                      |                      |                                    |                                |
| State apportionments                                 | \$ 228,089,793       | \$ -                 | \$ -                               | \$ 228,089,793                 |
| Local sources  | <u>21,259,101</u>    | <u>-</u>             | <u>-</u>                           | <u>21,259,101</u>              |
| Total local control funding formula sources          | 249,348,894          | -                    | -                                  | 249,348,894                    |
| Federal sources                                      | 18,315,746           | -                    | -                                  | 18,315,746                     |
| Other state sources                                  | 28,828,895           | -                    | 4,468,697                          | 33,297,592                     |
| Other local sources                                  | <u>12,324,621</u>    | <u>233,709</u>       | <u>11,721,318</u>                  | <u>24,279,648</u>              |
| <b>Total Revenues</b>                                | <u>308,818,156</u>   | <u>233,709</u>       | <u>16,190,015</u>                  | <u>325,241,880</u>             |
| <b>Expenditures</b>                                  |                      |                      |                                    |                                |
| Instruction  | 176,439,172          | -                    | 3,585,463                          | 180,024,635                    |
| Instruction - related services                       | 34,350,079           | -                    | 1,166,572                          | 35,516,651                     |
| Pupil services                                       | 30,057,234           | -                    | 59,925                             | 30,117,159                     |
| Community services                                   | 808                  | -                    | -                                  | 808                            |
| General administration                               | 15,091,098           | -                    | 275,518                            | 15,366,616                     |
| Plant services                                       | 36,204,894           | 8,482,844            | 6,099,560                          | 50,787,298                     |
| Other outgo  | 80,512               | -                    | -                                  | 80,512                         |
| Debt service   | <u>1,210,645</u>     | <u>-</u>             | <u>8,085,721</u>                   | <u>9,296,366</u>               |
| <b>Total Expenditures</b>                            | <u>293,434,442</u>   | <u>8,482,844</u>     | <u>19,272,759</u>                  | <u>321,190,045</u>             |
| Excess (deficiency) of revenues<br>over expenditures | <u>15,383,714</u>    | <u>(8,249,135)</u>   | <u>(3,082,744)</u>                 | <u>4,051,835</u>               |
| <b>Other Financing Sources (Uses)</b>                |                      |                      |                                    |                                |
| Interfund transfers in                               | -                    | 2,279,699            | 4,118,924                          | 6,398,623                      |
| Interfund transfers out                              | <u>(4,119,606)</u>   | <u>-</u>             | <u>(2,279,017)</u>                 | <u>(6,398,623)</u>             |
| <b>Total Other Financing Sources</b>                 | <u>(4,119,606)</u>   | <u>2,279,699</u>     | <u>1,839,907</u>                   | <u>-</u>                       |
| Net changes in fund balance                          | 11,264,108           | (5,969,436)          | (1,242,837)                        | 4,051,835                      |
| <b>Fund Balances at Beginning of Year</b>            | <u>53,256,192</u>    | <u>27,717,971</u>    | <u>21,301,992</u>                  | <u>102,276,155</u>             |
| <b>Fund Balances at End of Year</b>                  | <u>\$ 64,520,300</u> | <u>\$ 21,748,535</u> | <u>\$ 20,059,155</u>               | <u>\$ 106,327,990</u>          |

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 4,051,835

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

|  |                     |              |
|--|---------------------|--------------|
| Capital outlay                                     | \$ 23,756,454       |              |
| Depreciation expense                               | <u>(15,246,703)</u> |              |
| Excess of capital outlay over depreciation expense |                     | 8,509,751    |
| <br>Disposal of fixed assets                       |                     | <br>(24,193) |

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

|   |               |           |
|---|---------------|-----------|
| Certificates of participation principal payment | 645,000       |           |
| General obligation bond principal payment       | 5,682,019     |           |
| Child care facilities revolving fund            | 26,000        |           |
| City of Rialto redevelopment agency loan        | <u>70,000</u> | 6,423,019 |

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis.  
was: (6,495,112)

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

|  |                  |                    |
|--|------------------|--------------------|
| Net decrease in accrued interest   | 42,491           |                    |
| Net increase in accreted interest  | (3,825,696)      |                    |
| Net decrease in other postemployment benefits other than pensions (OPEB) | 608,594          |                    |
| Net increase in compensated absences                                     | (150,090)        |                    |
| Net decrease in premium on general obligation bonds                      | 113,361          |                    |
| Net decrease in deferred charge on refunding bonds                       | <u>(161,605)</u> | <u>(3,372,945)</u> |

Change in net position of governmental activities \$ 9,092,355

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND**

**June 30, 2017**

|  | Business-Type<br>Activities:<br><u>Enterprise Fund</u><br><u>Nutrition Services</u> |
|--|---|
| <b><u>Assets</u></b>                             |   |
| Cash in county treasury                          | \$ 17,232,934   |
| Cash in revolving fund                           | 750   |
| Accounts receivable                              |   |
| Federal and state governments                    | 3,160,923   |
| Miscellaneous                                    | 203,284   |
| Inventories                                      | 495,189   |
| Depreciable assets, net                          | <u>4,103,358</u>  |
| <b>Total Assets</b>                              | <u>25,196,438</u>   |
| <br><b><u>Deferred Outflows of Resources</u></b> |   |
| Deferred outflows - pensions                     | <u>1,355,120</u>  |
| <br><b><u>Liabilities</u></b>                    |   |
| Accounts payable                                 | 458,490   |
| Due to other funds                               | 844,303   |
| Net pension liability                            | <u>4,709,220</u>  |
| <b>Total Liabilities</b>                         | <u>6,012,013</u>  |
| <br><b><u>Deferred Inflows of Resources</u></b>  |   |
| Deferred inflows - pensions                      | <u>340,920</u>  |
| <br><b><u>Net Position</u></b>                   |   |
| Investment in capital assets                     | 4,103,358   |
| Unrestricted                                     | <u>16,095,267</u>   |
| <b>Total Net Position</b>                        | <u><u>\$ 20,198,625</u></u>   |

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 For the Fiscal Year Ended June 30, 2017**

|  | Business-Type<br>Activities:<br><u>Enterprise Fund</u><br><u>Nutrition Services</u> |
|--|---|
| <b>Operating Revenues</b>                    |   |
| Federal sources                              | \$ 13,719,137   |
| State sources                                | 993,908   |
| Food service sales                           | <u>1,578,086</u>  |
| <b>Total Operating Revenues</b>              | <u>16,291,131</u>   |
| <br><b>Operating Expenditures</b>            |   |
| Classified salaries                          | 4,119,137   |
| Employee benefits                            | 1,955,988   |
| Food and supplies                            | 9,056,008   |
| Services and other operating expenses        | 408,293   |
| Depreciation                                 | 404,252   |
| Other outgo                                  | <u>924,375</u>  |
| <b>Total Operating Expenditures</b>          | <u>16,868,053</u>   |
| Net operating loss                           | <u>(576,922)</u>  |
| <br><b>Non-Operating Revenues</b>            |   |
| Interest income                              | 11,603  |
| Loss on disposal of assets                   | <u>(3,364)</u>  |
| <b>Total Non-Operating Revenues</b>          | <u>8,239</u>  |
| Net loss                                     | (568,683)   |
| <br><b>Net Position at Beginning of Year</b> | <u>20,767,308</u>   |
| <br><b>Net Position at End of Year</b>       | <u><u>\$ 20,198,625</u></u>   |

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2017**

|   | Business-Type<br>Activities: |
|---|------------------------------|
|   | <u>Enterprise Fund</u>       |
|   | <u>Nutrition Services</u>    |
| <b>Cash Flows from Operating Activities</b>                     |                              |
| Cash received from food services operations                     | \$ 16,304,798                |
| Cash paid for operating expenditures                            | <u>(16,156,283)</u>          |
| Net cash provided by operating activities                       | <u>148,515</u>               |
| <b>Cash Flows from Investing Activities</b>                     |                              |
| Interest income   | <u>11,603</u>                |
| Net cash provided by investing activities                       | <u>11,603</u>                |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                              |
| Acquisition of capital assets                                   | <u>(130,932)</u>             |
| Net cash used by capital and related financing activities       | <u>(130,932)</u>             |
| Net increase in cash  | 29,186                       |
| Cash - July 1, 2016   | <u>17,204,498</u>            |
| Cash - June 30, 2017  | <u><u>\$ 17,233,684</u></u>  |

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2017**

|  | Business-Type<br>Activities:<br><u>Enterprise Fund</u><br><u>Nutrition Services</u> |
|--|---|
| <b>Reconciliation of operating loss to<br/>net cash provided by operating activities</b> |   |
| <b>Operating Loss</b>  | \$ (576,922)  |
| Adjustments to reconcile operating loss to<br>net cash provided by operating activities: |   |
| Depreciation   | 404,252   |
| Changes in operating assets and liabilities:   |   |
| Accounts receivable  | (27,151)  |
| Due from other funds   | 40,818  |
| Inventories  | (106,199)   |
| Deferred outflows - pension contributions  | (783,297)   |
| Accounts payable   | 137,966   |
| Due to other funds   | 214,393   |
| Net pension liability  | 997,104   |
| Deferred inflows - pension costs   | (152,449)   |
| Total adjustments  | <u>725,437</u>  |
| <b>Net cash provided by operating activities</b>   | <u>\$ 148,515</u>   |
| Cash balances at June 30, 2017 consisted of the following:                               |   |
| Cash on hand and in banks  | \$ 17,232,934   |
| Cash in revolving fund   | 750   |
| Total cash   | <u>\$ 17,233,684</u>  |

See accompanying notes to the financial statements.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

|                           | Associated<br>Student Body<br>Funds |
|---------------------------|-------------------------------------|
|                           |                                     |
| <b><u>Assets</u></b>      |                                     |
| Cash on hand and in banks | \$ 1,051,327                        |
| Accounts receivable       | 366                                 |
| Inventories               | 13,536                              |
| <b>Total Assets</b>       | 1,065,229                           |
| <br>                      |                                     |
| <b><u>Liabilities</u></b> |                                     |
| Accounts payable          | 50,238                              |
| Funds held in trust       | 1,014,991                           |
| <b>Total Liabilities</b>  | \$ 1,065,229                        |

See accompanying notes to the financial statements.

# RIALTO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### **Basis of Presentation**

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

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

#### **Government-Wide Financial Statements**

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Financial Statements**

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

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

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

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

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

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

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

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

***Other Outgo:*** includes transfers to other agencies.

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

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

**Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash,

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

other resources and all related liabilities, obligations, and equities.

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

**Governmental Funds – Major**

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

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

**Governmental Funds – Non-Major**

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

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

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

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

*Capital Facilities Fund:* used to account for resources received from residential and commercial developer impact fees.

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Bond Interest and Redemption Fund:* used to account for the payment of principal and interest on general long-term debt.

**Proprietary Funds**

**Enterprise Fund**

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

**Fiduciary Funds**

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

**Basis of Accounting**

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

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

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Receivables**

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

**Inventories**

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2017, the inventory for supplies is \$167,199. The inventory for food is \$495,189.

**Prepaid Expenses/Expenditures**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

**Capital Assets**

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description                | Estimated Lives |
|----------------------------|-----------------|
| Buildings and improvements | 20-50 years     |
| Furniture and equipment    | 2-15 years      |
| Vehicles                   | 2-15 years      |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Deferred Outflows of Resources**

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

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

*Deferred Outflows – Pensions:* The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. The deferred outflows – pensions will be deferred and amortized as detailed in Note 14 to the financial statements.

**Unearned Revenue**

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

**Compensated Absences**

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Long-Term Obligations**

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

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

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

**Net Pension Liability**

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

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 14 to the financial statements.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District. All other net position is unrestricted.

**Fund Balance Classification**

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

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

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

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

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

**Spending Order Policy**

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

**Minimum Fund Balance Policy**

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

**State Apportionments**

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

**Property Taxes**

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

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

**On-Behalf Payments**

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

**Contributed Services**

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

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

immaterial equipment and supplies which are not recorded upon receipt.

**Classification of Revenues – Proprietary Funds**

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

**Estimates**

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

**Reporting Entity**

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

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

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

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

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.

# RIALTO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

### **NOTE 2: BUDGETS**

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

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, \$18,173,315 of the District's bank balance of \$18,423,315 was exposed to credit risk as uninsured and collateral held by the pledging bank's trust department, not in the District's name.

**Investments**

**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 100.08% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

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

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 4: INTERFUND TRANSACTIONS**

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

**Interfund Receivables/Payables**

Individual interfund receivable and payable balances at June 30, 2017 are temporary loans and are detailed as follows:

| Fund                  | Interfund<br>Receivables | Interfund<br>Payables |
|-----------------------|--------------------------|-----------------------|
| General Fund          | \$ 1,345,653             | \$ 152,353            |
| Enterprise Funds      |                          |                       |
| Nutrition Services    | -                        | 844,303               |
| Special Revenue Funds |                          |                       |
| Adult Education       | 102,623                  | 23,848                |
| Child Development     | 48,911                   | 476,683               |
|                       |                          |                       |
| Total                 | \$ 1,497,187             | \$ 1,497,187          |

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 4: INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2016-17 fiscal year are as follows:

|   |                     |
|---|---------------------|
| Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for construction projects.            | \$ 1,800,000        |
| Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for Security Camera Project.          | 1,015,131           |
| Transfer from the General Fund to the Adult Education Fund to reimburse for concurrent high school adult education. | 102,623             |
| Transfer from the General Fund to the Child Development Fund to reimburse for Rialto Preschool.                     | 1,201,169           |
| Transfer from the General Fund to the Building Fund to reimburse for prior year payable.                            | 683                 |
| Transfer from the County School Facilities Fund to the Building Fund to reimburse for HVAC project.                 | <u>2,279,017</u>    |
| Total   | <u>\$ 6,398,623</u> |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 5: FUND BALANCES**

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

|                        | General Fund         | Building Fund        | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------|----------------------|----------------------|------------------------------------|--------------------------------|
| Nonspendable:          |                      |                      |                                    |                                |
| Cash in revolving fund | \$ 90,000            | \$ -                 | \$ -                               | \$ 90,000                      |
| Inventories            | 167,199              | -                    | -                                  | 167,199                        |
| Prepaid expenditures   | 195,889              | -                    | 9,450                              | 205,339                        |
| Total nonspendable     | <u>453,088</u>       | <u>-</u>             | <u>9,450</u>                       | <u>462,538</u>                 |
| Restricted:            |                      |                      |                                    |                                |
| Debt service           | -                    | -                    | 10,177,698                         | 10,177,698                     |
| Capital projects       | -                    | 21,748,535           | 7,397,405                          | 29,145,940                     |
| Educational programs   | 12,428,216           | -                    | 645,596                            | 13,073,812                     |
| Total restricted       | <u>12,428,216</u>    | <u>21,748,535</u>    | <u>18,220,699</u>                  | <u>52,397,450</u>              |
| Assigned:              |                      |                      |                                    |                                |
| Capital projects       |                      |                      | 1,829,006                          | 1,829,006                      |
| Other assignments      | 39,450,000           | -                    | -                                  | 39,450,000                     |
| Total assigned         | <u>39,450,000</u>    | <u>-</u>             | <u>1,829,006</u>                   | <u>41,279,006</u>              |
| Unassigned:            |                      |                      |                                    |                                |
| Economic uncertainties | 8,926,621            | -                    | -                                  | 8,926,621                      |
| Unassigned             | 3,262,375            | -                    | -                                  | 3,262,375                      |
| Total unassigned       | <u>12,188,996</u>    | <u>-</u>             | <u>-</u>                           | <u>12,188,996</u>              |
| Total fund balance     | <u>\$ 64,520,300</u> | <u>\$ 21,748,535</u> | <u>\$ 20,059,155</u>               | <u>\$ 106,327,990</u>          |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2017 is shown below.

**Governmental Activities**

|   | Balance<br>July 1, 2016 | Additions            | Retirements          | Balance<br>June 30, 2017 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Capital assets not being depreciated:       |                         |                      |                      |                          |
| Land  | \$ 39,752,485           | \$ -                 | \$ -                 | \$ 39,752,485            |
| Construction in progress                    | 20,625,735              | 23,624,518           | 18,584,092           | 25,666,161               |
| Total capital assets not being depreciated  | <u>60,378,220</u>       | <u>23,624,518</u>    | <u>18,584,092</u>    | <u>65,418,646</u>        |
| Capital assets being depreciated:           |                         |                      |                      |                          |
| Buildings                                   | 414,191,137             | 16,392,860           | -                    | 430,583,997              |
| Equipment                                   | 22,784,168              | 2,323,168            | 230,095              | 24,877,241               |
| Total capital assets being depreciated      | <u>436,975,305</u>      | <u>18,716,028</u>    | <u>230,095</u>       | <u>455,461,238</u>       |
| Less accumulated depreciation for:          |                         |                      |                      |                          |
| Buildings                                   | (154,044,461)           | (13,860,820)         | -                    | (167,905,281)            |
| Equipment                                   | (16,339,636)            | (1,385,883)          | (205,902)            | (17,519,617)             |
| Total accumulated depreciation              | <u>(170,384,097)</u>    | <u>(15,246,703)</u>  | <u>(205,902)</u>     | <u>(185,424,898)</u>     |
| Depreciable assets, net                     | <u>266,591,208</u>      | <u>3,469,325</u>     | <u>24,193</u>        | <u>270,036,340</u>       |
| Governmental activities capital assets, net | <u>\$ 326,969,428</u>   | <u>\$ 27,093,843</u> | <u>\$ 18,608,285</u> | <u>\$ 335,454,986</u>    |

**Business-Type Activities**

|  | Balance<br>July 1, 2016 | Additions           | Retirements     | Balance<br>June 30, 2017 |
|--|-------------------------|---------------------|-----------------|--------------------------|
| Capital assets being depreciated:            |                         |                     |                 |                          |
| Buildings                                    | \$ 6,488,991            | \$ -                | \$ -            | \$ 6,488,991             |
| Equipment                                    | 1,913,071               | 130,932             | 65,914          | 1,978,089                |
| Total capital assets being depreciated       | <u>8,402,062</u>        | <u>130,932</u>      | <u>65,914</u>   | <u>8,467,080</u>         |
| Less accumulated depreciation for:           |                         |                     |                 |                          |
| Buildings                                    | (2,444,165)             | (317,899)           | -               | (2,762,064)              |
| Equipment                                    | (1,577,854)             | (86,353)            | 62,549          | (1,601,658)              |
| Total accumulated depreciation               | <u>(4,022,019)</u>      | <u>(404,252)</u>    | <u>62,549</u>   | <u>(4,363,722)</u>       |
| Business type activities capital assets, net | <u>\$ 4,380,043</u>     | <u>\$ (273,320)</u> | <u>\$ 3,365</u> | <u>\$ 4,103,358</u>      |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown below.

**Governmental Activities**

|  | Balance<br>July 1, 2016 | Additions            | Reductions          | Balance<br>June 30, 2017 | Amount Due in<br>One Year |
|--|-------------------------|----------------------|---------------------|--------------------------|---------------------------|
| General obligation bonds                 | \$ 99,471,263           | \$ -                 | \$ 4,616,944        | \$ 94,854,319            | \$ 5,316,923              |
| Capital appreciation interest            | 19,337,566              | 3,825,696            | 1,065,075           | 22,098,187               | 1,099,807                 |
| Premium on general obligation bonds      | 2,421,749               | -                    | 113,361             | 2,308,388                | -                         |
| Total general obligation bonds           | <u>121,230,578</u>      | <u>3,825,696</u>     | <u>5,795,380</u>    | <u>119,260,894</u>       | <u>6,416,730</u>          |
| Compensated absences                     | 815,742                 | 150,090              | -                   | 965,832                  |                           |
| Certificates of participation            | 5,640,000               | -                    | 645,000             | 4,995,000                | 670,000                   |
| Postemployment healthcare benefits       | 7,881,203               |                      | 608,594             | 7,272,609                |                           |
| Net pension liability                    | 198,350,425             | 42,732,227           | -                   | 241,082,652              |                           |
| Child care facilities revolving fund     | 26,000                  |                      | 26,000              | -                        |                           |
| City of Rialto redevelopment agency loan | 5,031,941               | -                    | 70,000              | 4,961,941                | 75,000                    |
| Total                                    | <u>\$ 338,975,889</u>   | <u>\$ 46,708,013</u> | <u>\$ 7,144,974</u> | <u>\$ 378,538,928</u>    | <u>\$ 7,161,730</u>       |

**Business-Type Activities**

|                       | Balance<br>July 1, 2016 | Additions         | Reductions  | Balance<br>June 30, 2017 | Amount Due in<br>One Year |
|-----------------------|-------------------------|-------------------|-------------|--------------------------|---------------------------|
| Net pension liability | \$ 3,712,116            | \$ 997,104        | \$ -        | \$ 4,709,220             | \$ -                      |
| Total                 | <u>\$ 3,712,116</u>     | <u>\$ 997,104</u> | <u>\$ -</u> | <u>\$ 4,709,220</u>      | <u>\$ -</u>               |

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 8: LEASES**

**Operating Leases**

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

| Year Ending June 30, | Lease Payment       |
|----------------------|---------------------|
| 2018                 | \$ 1,255,655        |
| 2019                 | 914,884             |
| 2020                 | 414,880             |
| Total                | <u>\$ 2,585,419</u> |

Current year expenditures for operating leases is approximately \$986,356. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 9: CERTIFICATES OF PARTICIPATION**

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

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

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

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

In September 1997, the Rialto Unified School District Facilities Corporation issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 9: CERTIFICATES OF PARTICIPATION**

Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates.

As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. The certificates have a maturity date of September 1, 2020, with an interest rate of 4.65 percent.

The annual requirements to amortize the 2006 Certificates of Participation and 1997 Refunding Certificates of Participation, outstanding as of June 30, 2017 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     |
|-----------------------------|---------------------|---------------------|
| 2018                        | \$ 670,000          | \$ 205,012          |
| 2019                        | 700,000             | 175,628             |
| 2020                        | 730,000             | 144,566             |
| 2021                        | 760,000             | 111,387             |
| 2022                        | 200,000             | 90,038              |
| 2023-2027                   | 1,130,000           | 311,250             |
| 2028-2031                   | 805,000             | 56,338              |
| Total                       | <u>\$ 4,995,000</u> | <u>\$ 1,094,219</u> |

**NOTE 10: GENERAL OBLIGATION BONDS**

**Measure H 1999 Election**

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

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

The balance of the bonds refunded was \$2,545,274 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$161,605 was recognized during the year ended June 30, 2017.

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: GENERAL OBLIGATION BONDS**

payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$700,723 and accreted interest paid and included as a deduction in the long-term debt schedule is \$1,065,075. The balance of accreted interest at June 30, 2017 is \$6,576,069.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$1,716,066. The amount will be amortized using the straight-line method. Amortization of \$107,254 was recognized for fiscal year 2016-17.

**Measure Y 2010 Election**

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

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

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$3,124,973. The balance of accreted interest at June 30, 2017 is \$15,522,117.

Premium and discounts are netted against the carrying amount of the bonds and are amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$2,347,592 and the Series B bonds included a discount of \$1,068,488. These amount will be amortized using the straight-line method. Net amortization of \$7,021 was recognized for fiscal year 2016-17.

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: GENERAL OBLIGATION BONDS**

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

| <u>General Obligation Bonds</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Interest Rate %</u> | <u>Amount of Original Issue</u> | <u>Outstanding June 30, 2017</u> |
|---------------------------------|----------------------|-------------------------|------------------------|---------------------------------|----------------------------------|
| 1999:                           |                      |                         |                        |                                 |                                  |
| Series A                        | 6/1/2000             | 2025                    | 4.75-6.25              | \$ 19,995,038                   | \$ 3,607,132                     |
| 2012 Refunding                  | 5/17/2012            | 2029                    | 2.00-5.00              | 29,865,000                      | 24,925,000                       |
| Total Measure 1999              |                      |                         |                        | <u>49,860,038</u>               | <u>28,532,132</u>                |
| 2010:                           |                      |                         |                        |                                 |                                  |
| Series A                        | 3/17/2011            | 2042                    | 7.35                   | 26,932,187                      | 26,932,187                       |
| Series B                        | 3/17/2011            | 2027                    | 5.280-6.911            | 9,695,000                       | 9,695,000                        |
| Series 2015                     | 3/26/2015            | 2027                    | 1.258-4.128            | 32,015,000                      | 29,695,000                       |
| Total Measure 2010              |                      |                         |                        | <u>68,642,187</u>               | <u>66,322,187</u>                |
| Total                           |                      |                         |                        | <u>\$ 118,502,225</u>           | <u>\$ 94,854,319</u>             |

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

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Accreted Interest</u> |
|-----------------------------|----------------------|----------------------|--------------------------|
| 2018                        | \$ 5,316,923         | \$ 2,261,383         | \$ 1,099,807             |
| 2019                        | 5,583,494            | 2,136,901            | 1,131,506                |
| 2020                        | 5,866,759            | 1,987,589            | 1,175,426                |
| 2021                        | 6,172,683            | 1,799,397            | 1,204,259                |
| 2022                        | 6,519,683            | 1,572,868            | 1,229,459                |
| 2023-2027                   | 34,173,605           | 5,771,754            | 7,318,779                |
| 2028-2032                   | 8,533,163            | 18,959,774           | 15,021,837               |
| 2033-2037                   | 5,799,640            | 18,825,188           | 26,759,536               |
| 2038-2042                   | 16,888,369           | 10,323,259           | 34,336,630               |
| Total                       | <u>\$ 94,854,319</u> | <u>\$ 63,638,113</u> | <u>\$ 89,277,239</u>     |

**NOTE 11: CHILD CARE FACILITIES REVOLVING FUND:**

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchasing with the California Department of Education by participation in the Child Care Facilities Revolving Fund program, bringing a total to date of fourteen agreements entered into. This program provides up to \$150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. The final payment of \$26,000 was paid during the 2016-17 fiscal year.

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: CITY OF RIALTO REDEVELOPMENT AGENCY LOAN**

During 2005, the District entered into an agreement with the City of Rialto Redevelopment Agency (RDA) for a loan of \$2,717,131 for the purpose of financing the cost of labor and materials for the design, installation and/or construction of a football stadium at Rialto High School. A portion of the proceeds was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA.

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

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

The RDA has since been dissolved and debt service payments are now paid directly to the City of Rialto. As of June 30, 2017, future minimum loan payments are:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     |
|-----------------------------|---------------------|---------------------|
| 2018                        | \$ 75,000           | \$ 275,924          |
| 2019                        | 80,000              | 271,225             |
| 2020                        | 80,000              | 265,989             |
| 2021                        | 85,000              | 260,693             |
| 2022                        | 90,000              | 254,850             |
| 2023-2027                   | 530,000             | 1,170,930           |
| 2028-2032                   | 1,545,361           | 926,419             |
| 2033-2037                   | 2,251,580           | 399,685             |
| 2038                        | 225,000             | 14,062              |
| Total                       | <u>\$ 4,961,941</u> | <u>\$ 3,839,777</u> |

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description and Eligibility**

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

**Funding Policy**

The contribution requirement of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go basis financing requirements. During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS to prefund the postemployment benefit obligation. For fiscal year ended 2017, the District contributed \$1,904,337 in pay-as-you-go expenses to the plan and made a discretionary contribution of \$2,564,636 to the trust.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

| Annual OPEB Cost and Net OPEB Obligation            | Balance<br>June 30, 2017 |
|---|--------------------------|
| Annual required contribution (ARC)                  | \$ 4,069,653             |
| Interest on net OPEB obligation                     | 315,248                  |
| Adjustment to ARC                                   | (455,771)                |
| Annual OPEB cost                                    | 3,929,130                |
| Contributions made, including implicit rate subsidy | (4,537,724)              |
| Change in net OPEB obligation                       | (608,594)                |
| Net OPEB obligation - beginning of year             | 7,881,203                |
| Net OPEB obligation - end of year                   | \$ 7,272,609             |

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2017 was as follows:

| Year Ending June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| 2015                 | \$ 3,583,980        | 64.9%  | \$ 8,759,554           |
| 2016                 | 3,913,469           | 122.4%   | 7,881,203              |
| 2017                 | 3,929,130           | 115.5%   | 7,272,609              |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

**Funding Status and Funding Progress**

As of February 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$34,470,470. The covered payroll (annual payroll of active employees covered by the plan) was \$136,217,096, and the ratio of the UAAL to the covered payroll was 25%. During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS. At June 30, 2017 the balance of the trust was \$5,501,497.

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

**Actuarial Methods and Assumptions**

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

| <u>Pension Plan</u>         | Net<br>Pension Liability | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources | Pension Expense      |
|-----------------------------|--------------------------|--------------------------------------|----------------------------------|----------------------|
| CalSTRS (STRP)              | \$ 184,408,680           | \$ 43,883,984                        | \$ 5,132,186                     | \$ 20,528,457        |
| CalPERS (Schools Pool Plan) | 61,383,192               | 17,935,466                           | 4,368,104                        | 6,460,794            |
| Total                       | <u>\$ 245,791,872</u>    | <u>\$ 61,819,450</u>                 | <u>\$ 9,500,290</u>              | <u>\$ 26,989,251</u> |

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

The details of each plan are as follows:

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

**Plan Description**

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

**Benefits Provided**

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

| Provisions and Benefits                                   | STRP Defined Benefit Program and Supplement Program |                             |
|---|---|-----------------------------|
| Hire date   | On or Before December 31, 2012                      | On or after January 1, 2013 |
| Benefit formula   | 2% at 60  | 2% at 62                    |
| Benefit vesting schedule                                  | 5 years of service                                  | 5 years of service          |
| Benefit payments  | Monthly for life                                    | Monthly for life            |
| Retirement age  | 60  | 62                          |
| Monthly benefits as a percentage of eligible compensation | 2.0%-2.4%   | 2.0%-2.4%                   |
| Required employee contribution rate                       | 10.250%   | 9.205%                      |
| Required employer contribution rate                       | 12.580%   | 12.580%                     |
| Required state contribution rate                          | 8.828%  | 8.828%                      |

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$15,178,376.

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

At June 30, 2017, 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:

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

|   | Balance<br>June 30, 2017 |
|---|--------------------------|
| Proportionate Share of Net Pension Liability  |                          |
| District proportionate share of net pension liability                                 | \$ 184,408,680           |
| State's proportionate share of the net pension liability associated with the District | 104,996,028              |
| Total   | \$ 289,404,708           |

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.2280%.

For the year ended June 30, 2017, the District recognized pension expense of \$20,528,457 and revenue of \$10,148,971 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Pension Deferred Outflows and Inflows of Resources                        |                                      |                                     |
| Pension contributions subsequent to measurement date                      | \$ 15,178,376                        | \$ -                                |
| Effect of change in proportion  | 14,045,208                           | 633,746                             |
| Difference between expected and actual experience                         | -                                    | 4,498,440                           |
| Net differences between projected and actual earnings on plan investments | 14,660,400                           | -                                   |
| Total   | \$ 43,883,984                        | \$ 5,132,186                        |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP Defined Benefit Plan for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

| Year Ending June 30, | Amortization         |
|----------------------|----------------------|
| 2018                 | \$ 5,618,777         |
| 2019                 | 5,618,777            |
| 2020                 | 5,618,777            |
| 2021                 | 5,618,777            |
| 2022                 | 1,953,680            |
| 2023                 | (855,366)            |
| Total                | <u>\$ 23,573,422</u> |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

| Actuarial Methods and Assumptions |                                    |
|-----------------------------------|------------------------------------|
| Valuation Date                    | June 30, 2015                      |
| Measurement Date                  | June 30, 2016                      |
| Experience Study                  | July 1, 2006 through June 30, 2010 |
| Actuarial Cost Method             | Entry Age Normal                   |
| Discount Rate                     | 7.60%                              |
| Investment Rate of Return         | 7.60%                              |
| Consumer Price Inflation          | 3.00%                              |
| Wage Growth                       | 3.75%                              |

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

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| Asset Class                                 | Assumed Asset<br>Allocation | Long-term<br>Expected Real<br>Rate of Return |
|---|-----------------------------|--|
| Global equity                               | 47%                         | 6.30%  |
| Fixed income                                | 12%                         | 0.30%  |
| Real estate                                 | 13%                         | 5.20%  |
| Private equity                              | 13%                         | 9.30%  |
| Asbsolute return/risk mitigating strategies | 9%                          | 2.90%  |
| Inflation sensitive                         | 4%                          | 3.80%  |
| Cash/liquidity                              | 2%                          | -1.00%                                       |

**Discount Rate**

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

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

| Discount rate                 | Net Pension<br>Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.60%)           | \$ 265,405,680           |
| Current discount rate (7.60%) | 184,408,680              |
| 1% increase (8.60%)           | 117,137,280              |

**Plan Fiduciary Net Position**

Detailed information about the STRP’s plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

| Provisions and Benefits                                   | School Employer Pool (CalPERS) |                             |
|---|--------------------------------|-----------------------------|
|   | On or Before December 31, 2012 | On or after January 1, 2013 |
| Hire date   | On or Before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula   | 2% at 55                       | 2% at 62                    |
| Benefit vesting schedule                                  | 5 years of service             | 5 years of service          |
| Benefit payments  | Monthly for life               | Monthly for life            |
| Retirement age  | 55                             | 62                          |
| Monthly benefits as a percentage of eligible compensation | 1.1%-2.5%                      | 1.0%-2.5%                   |
| Required employee contribution rate                       | 6.974%                         | 6.000%                      |
| Required employer contribution rate                       | 13.888%                        | 13.888%                     |

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**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 determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$5,770,703.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$61,383,192. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.3108%.

For the year ended June 30, 2017, the District recognized pension expense of \$6,460,794. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date                      | \$ 5,770,703                         | \$ -                                |
| Difference between expected and actual experience                         | 2,640,065                            | -                                   |
| Changes of assumptions  | -                                    | 1,844,199                           |
| Difference in proportion  | -                                    | 2,523,905                           |
| Net differences between projected and actual earnings on plan investments | 9,524,698                            | -                                   |
| Total   | \$ 17,935,466                        | \$ 4,368,104                        |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

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

| <u>Year Ending June 30,</u> | <u>Amortization</u> |
|-----------------------------|---------------------|
| 2018                        | \$ 188,587          |
| 2019                        | 966,440             |
| 2020                        | 4,155,769           |
| 2021                        | 2,485,863           |
| Total                       | <u>\$ 7,796,659</u> |

**Actuarial Methods and Assumptions**

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

| <u>Actuarial Methods and Assumptions</u> |                                    |
|--|------------------------------------|
| Valuation Date                           | June 30, 2015                      |
| Measurement Date                         | June 30, 2016                      |
| Experience Study                         | July 1, 1997 through June 30, 2011 |
| Actuarial Cost Method                    | Entry Age Normal                   |
| Discount Rate                            | 7.65%                              |
| Investment Rate of Return                | 7.50%                              |
| Consumer Price Inflation                 | 2.75%                              |
| Wage Growth                              | 3.00%                              |

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

| Asset Class                   | Assumed Asset Allocation | Long-term Expected Real Rate of Return |
|-------------------------------|--------------------------|--|
| Global equity                 | 51%                      | 5.71%                                  |
| Global debt securities        | 20%                      | 2.43%                                  |
| Inflation assets              | 6%                       | 3.36%                                  |
| Private equity                | 10%                      | 6.95%                                  |
| Real estate                   | 10%                      | 5.13%                                  |
| Infrastructure and forestland | 2%                       | 5.09%                                  |
| Liquidity                     | 1%                       | -1.05%                                 |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan 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:

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

| Discount rate                 | Net Pension<br>Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.65%)           | \$ 91,584,065            |
| Current discount rate (7.65%) | 61,383,192               |
| 1% increase (8.65%)           | 36,235,023               |

**Plan Fiduciary Net Position**

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

**NOTE 15: JOINT POWERS AGREEMENTS**

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

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

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

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

Condensed financial information for the year ended June 30, 2017 is as follows:

| JPA Condensed Financial Information | SELF<br>(Audited)<br>June 30, 2017 | PIPS<br>(Audited)<br>June 30, 2017 | SoCal ReLiEF<br>(Unaudited)<br>June 30, 2016 |
|-------------------------------------|------------------------------------|------------------------------------|--|
| Total assets                        | \$ 126,580,131                     | \$ 129,260,118                     | \$ 50,507,223                                |
| Total liabilities                   | 104,151,104                        | 111,815,654                        | 57,128,328                                   |
| Total revenues                      | 14,352,055                         | 300,784,657                        | 41,448,481                                   |
| Total expenditures                  | 13,457,649                         | 296,996,362                        | 48,371,721                                   |

**RIALTO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**State and Federal Allowances, Awards, and Grants**

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

**County School Facilities Funds**

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

**Purchase Commitments**

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling \$14.6 million. Projects will be funded through Bond Proceeds, State Facilities Grants, Capital Facilities Funds, and General Funds.

**NOTE 17: SUBSEQUENT EVENTS**

**Finance Agreement**

September 13, 2017 Rialto Unified School District entered into a finance agreement with Banc of America Public Capital Corp to secure financing of \$11.5 million for District-wide heating, ventilation and air-conditioning, LED lighting and energy management system upgrades. Repayment terms are over fifteen years with an annual payment of \$930,144 at an interest rate of 2.70%, with payments beginning on March 30, 2018.

**Lease-Purchase Agreement**

June 22, 2017 Rialto Unified School District entered into a lease-purchase agreement with Dell Financial Services LLC to lease-purchase 5,880 Dell Chromebooks with EarthWalk carts and

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 17: SUBSEQUENT EVENTS**

3,464 Dell Latitude laptops with 96 EarthWalk carts for an annual payment of \$2,576,399 for a three year lease option to buy beginning on or about September 1, 2017, for a total cost not-to-exceed \$7,729,198.

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

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

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. The statement is effective for the fiscal year 2017-18.

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

This statement was issued in March 2016 and addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The statement is effective for the fiscal year 2016-17.

***Statement No. 83 – Certain Asset Retirement Obligations***

This statement was issued in November 2016 and addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

*Statement No. 84 – Fiduciary Activities*

This statement was issued in January 2017. The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2017**

|  | Budgetary Amounts - General |                       |                      |
|--|-----------------------------|-----------------------|----------------------|
|  | Fund                        |                       | Actual Amounts       |
|  | Original                    | Final                 | General Fund         |
| <b>Revenues</b>                                      |                             |                       |                      |
| Local control funding formula sources:               |                             |                       |                      |
| State apportionments                                 | \$ 236,393,942              | \$ 228,089,793        | \$ 228,089,793       |
| Local sources  | <u>10,737,924</u>           | <u>21,259,101</u>     | <u>21,259,101</u>    |
| Total local control funding formula sources:         | 247,131,866                 | 249,348,894           | 249,348,894          |
| Federal sources                                      | 15,216,463                  | 20,526,744            | 18,315,746           |
| Other state sources                                  | 26,030,968                  | 28,826,332            | 28,828,895           |
| Other local sources                                  | <u>9,055,570</u>            | <u>11,775,153</u>     | <u>12,324,621</u>    |
| <b>Total Revenues</b>                                | <u>297,434,867</u>          | <u>310,477,123</u>    | <u>308,818,156</u>   |
| <b>Expenditures</b>                                  |                             |                       |                      |
| Certificated salaries                                | 126,789,362                 | 125,605,015           | 123,681,366          |
| Classified salaries                                  | 40,629,303                  | 40,619,436            | 39,576,682           |
| Employee benefits                                    | 73,097,682                  | 73,069,068            | 72,112,317           |
| Books and supplies                                   | 20,043,044                  | 20,085,247            | 16,827,500           |
| Services and other operating expenditures            | 32,868,780                  | 38,446,111            | 31,738,043           |
| Capital outlay                                       | 8,883,601                   | 14,829,919            | 9,407,267            |
| Other outgo  | <u>800,858</u>              | <u>(4,245)</u>        | <u>91,267</u>        |
| <b>Total Expenditures</b>                            | <u>303,112,630</u>          | <u>312,650,551</u>    | <u>293,434,442</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>(5,677,763)</u>          | <u>(2,173,428)</u>    | <u>15,383,714</u>    |
| <b>Other Financing Uses</b>                          |                             |                       |                      |
| Interfund transfers out                              | <u>(1,519,742)</u>          | <u>(4,119,606)</u>    | <u>(4,119,606)</u>   |
| <b>Total Other Financing Uses</b>                    | <u>(1,519,742)</u>          | <u>(4,119,606)</u>    | <u>(4,119,606)</u>   |
| Net change in fund balances                          | <u>\$ (7,197,505)</u>       | <u>\$ (6,293,034)</u> | 11,264,108           |
| <b>Fund Balance - Beginning of Year</b>              |                             |                       | <u>53,256,192</u>    |
| <b>Fund Balance - End of Year</b>                    |                             |                       | <u>\$ 64,520,300</u> |

See the accompanying notes to the required supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE  
BENEFITS FUNDING PROGRESS  
For the Fiscal Year Ended June 30, 2017**

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

During 2015-16, the District established an irrevocable trust with California Employees' Retiree Benefit Trust (CERBT) managed by CalPERS. At June 30, 2017 the balance of the trust was \$5,501,497.

See the accompanying notes to the required supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Fiscal Year Ended June 30, 2017**

| <u>State Teachers' Retirement Plan</u>   | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           |
|--|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability (assets)  | 0.2020%               | 0.2290%               | 0.2280%               |
| District's proportionate share of the net pension liability (asset)  | \$ 118,042,470        | \$ 154,171,960        | \$ 184,408,680        |
| State's proportionate share of the net pension liability (asset) associated with the District              | <u>71,280,019</u>     | <u>81,539,753</u>     | <u>104,996,028</u>    |
| Total  | <u>\$ 189,322,489</u> | <u>\$ 235,711,713</u> | <u>\$ 289,404,708</u> |
| District's covered payroll   | \$100 Million         | \$103 Million         | \$116.8 Million       |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 118.04%               | 149.68%               | 157.88%               |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 77.00%                | 74.00%                | 70.04%                |
| <br>   |                       |                       |                       |
| <u>California Public Employees' Retirement Plan</u>  | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           |
| District's proportion of the net pension liability (assets)  | 0.3270%               | 0.3249%               | 0.3108%               |
| District's proportionate share of the net pension liability (asset)  | <u>\$ 37,122,462</u>  | <u>\$ 47,890,581</u>  | <u>\$ 61,383,192</u>  |
| District's covered payroll   | \$34 Million          | \$36 Million          | \$38.8 Million        |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 109.00%               | 133.69%               | 158.20%               |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 83.37%                | 79.43%                | 73.90%                |

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

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

See the accompanying notes to the required supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**For the Fiscal Year Ended June 30, 2017**

| State Teachers' Retirement Plan                                      | 2015             | 2016              | 2017              |
|--|------------------|-------------------|-------------------|
| Contractually required contribution                                  | \$ 9,293,881     | \$ 12,530,465     | \$ 15,178,376     |
| Contributions in relation to the contractually required contribution | <u>9,293,881</u> | <u>12,530,465</u> | <u>15,178,376</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>       |
| District's covered payroll   | \$106 Million    | \$116.8 Million   | \$120.7 Million   |
| Contributions as a percentage of covered payroll                     | 8.88%            | 10.73%            | 12.58%            |
| <br>   |                  |                   |                   |
| California Public Employees' Retirement Plan                         | 2015             | 2016              | 2017              |
| Contractually required contribution                                  | \$ 4,216,681     | \$ 4,599,351      | \$ 5,770,703      |
| Contributions in relation to the contractually required contribution | <u>4,216,681</u> | <u>4,599,351</u>  | <u>5,770,703</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>       |
| District's covered payroll   | \$36 Million     | \$38.8 Million    | \$41.5 Million    |
| Contributions as a percentage of covered payroll                     | 11.771%          | 11.847%           | 13.890%           |

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

See the accompanying notes to the required supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

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

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

**Schedule of Postemployment Healthcare Benefits Funding Progress**

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

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

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

**Schedules of District Contributions – STRP and PERS**

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

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were excesses of expenditures over appropriations in the General Fund:

|             |          |
|-------------|----------|
| Other outgo | \$95,512 |
|-------------|----------|

**SUPPLEMENTARY INFORMATION**

# RIALTO UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

### BOARD OF EDUCATION

| <u>Member</u>      | <u>Office</u>  | <u>Term Expires</u> |
|--------------------|----------------|---------------------|
| Dina Walker        | President      | November 30, 2018   |
| Joseph W. Martinez | Vice President | November 30, 2020   |
| Nancy G. O'Kelley  | Member         | November 30, 2020   |
| Joseph Ayala       | Member         | November 30, 2020   |
| Edgar Montes       | Clerk          | November 30, 2018   |

### DISTRICT ADMINISTRATORS

|                      |   |
|----------------------|---|
| Dr. Cuauhtémoc Avila | Superintendent                              |
| Mohammad Z. Islam    | Associate Superintendent, Business Services |
| Kelly Bruce          | Lead Innovation Agent                       |
| Diane Romo           | Sr. Director, Fiscal Services               |

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2017**

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

ADA statistics reported to the state for the fiscal year ended June 30, 2017 are as follows:

|   | Revised<br>Second Period | Annual |
|---|--------------------------|--------|
| Grades Transitional Kindergarten through third:                   |                          |        |
| Regular ADA   | 7,367                    | 7,361  |
| Extended year special education                                   | 5                        | 5      |
| Special education - nonpublic, nonsectarian schools               | 1                        | 1      |
| Total grades transitional kindergarten through third ADA          | 7,373                    | 7,367  |
| <br>  |                          |        |
| Grades four through six:  |                          |        |
| Regular ADA   | 5,998                    | 5,981  |
| Extended year special education                                   | 2                        | 2      |
| Special education - nonpublic, nonsectarian schools               | 2                        | 3      |
| Total grades four through six ADA                                 | 6,002                    | 5,986  |
| <br>  |                          |        |
| Grades seven and eight:   |                          |        |
| Regular ADA   | 3,760                    | 3,750  |
| Extended year special education                                   | 1                        | 1      |
| Special education - nonpublic, nonsectarian schools               | 8                        | 8      |
| Extended year special education - nonpublic, nonsectarian schools | -                        | 1      |
| Total grades seven and eight ADA                                  | 3,769                    | 3,760  |
| <br>  |                          |        |
| Grades nine through twelve:                                       |                          |        |
| Regular ADA   | 7,593                    | 7,509  |
| Extended year special education                                   | 6                        | 6      |
| Special education - nonpublic, nonsectarian schools               | 17                       | 18     |
| Extended year special education - nonpublic, nonsectarian schools | 1                        | 1      |
| Total grades nine through twelve ADA                              | 7,617                    | 7,534  |
| <br>  |                          |        |
| Total ADA   | 24,761                   | 24,647 |

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2017**

| Grade Level  | Minute Requirement | Actual Minutes | Number of Days       |               |
|--------------|--------------------|----------------|----------------------|---------------|
|              |                    |                | Traditional Calendar | Status        |
| Kindergarten | 36,000             | 36,180         | 180                  | In Compliance |
| Grade 1      | 50,400             | 50,902         | 180                  | In Compliance |
| Grade 2      | 50,400             | 50,902         | 180                  | In Compliance |
| Grade 3      | 50,400             | 50,902         | 180                  | In Compliance |
| Grade 4      | 54,000             | 54,290         | 180                  | In Compliance |
| Grade 5      | 54,000             | 54,290         | 180                  | In Compliance |
| Grade 6      | 54,000             | 62,457         | 180                  | In Compliance |
| Grade 7      | 54,000             | 62,457         | 180                  | In Compliance |
| Grade 8      | 54,000             | 62,457         | 180                  | In Compliance |
| Grade 9      | 64,800             | 65,426         | 180                  | In Compliance |
| Grade 10     | 64,800             | 65,426         | 180                  | In Compliance |
| Grade 11     | 64,800             | 65,426         | 180                  | In Compliance |
| Grade 12     | 64,800             | 65,426         | 180                  | In Compliance |

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

| Program Name   | Federal Catalog<br>Number | Pass-Through                 |    | Total Program<br>Expenditures |
|--|---------------------------|------------------------------|----|-------------------------------|
|  |                           | Entity Identifying<br>Number |    |                               |
| <b>United States Department of Agriculture</b>                             |                           |                              |    |                               |
| Pass-Through Program From California Department of Education:              |                           |                              |    |                               |
| Child Nutrition Cluster:   |                           |                              |    |                               |
| National School Lunch Program  | 10.555                    | 13396                        | \$ | 9,717,161                     |
| Especially Needy Breakfast Program   | 10.553                    | 13526                        |    | 2,790,246                     |
| Meal Supplements   | 10.553                    | (1)                          |    | 297,639                       |
| Summer Food Service Program  | 10.559                    | 13396                        |    | 197,792                       |
| Fresh Fruit and Vegetable Program  | 10.582                    | 14968                        |    | 72,180                        |
| Commodities  | 10.555                    | 13396                        |    | 644,119                       |
| Subtotal: Child Nutrition Cluster  |                           |                              |    | <u>13,719,137</u>             |
| Forest Reserve Funds   | 10.665                    | 10044                        |    | 21,550                        |
| Total U.S. Department of Agriculture                                       |                           |                              |    | <u>13,740,687</u>             |
| <b>United States Department of Education</b>                               |                           |                              |    |                               |
| Pass-Through Program From California Department of Education:              |                           |                              |    |                               |
| Title I Part A, Basic Grants Low-Income and Neglected                      | 84.010                    | 14329                        |    | 9,626,909                     |
| Title II, Part A, Improving Teacher Quality Local Grants                   | 84.367                    | 14341                        |    | 1,434,635                     |
| Title II, Part B, CA Mathematics and Science Partnerships                  | 84.366                    | 14512                        |    | 506,153                       |
| Title III, Immigrant Education Program                                     | 84.365                    | 15299                        |    | 22,466                        |
| Title III, Limited English Proficient Student Program                      | 84.365                    | 14346                        |    | 649,264                       |
| Subtotal Title III   |                           |                              |    | <u>671,730</u>                |
| Special Education Cluster:   |                           |                              |    |                               |
| IDEA Local Assistance, Part B, Sec 611, Private School ISPs                | 84.027                    | 10115                        |    | 8,990                         |
| IDEA Preschool Staff Development, Part B, Sec 619                          | 84.173A                   | 13431                        |    | 863                           |
| IDEA Preschool Staff Development, Part B, Age 3-4-5                        | 84.173                    | 13430                        |    | 97,397                        |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142) | 84.027                    | 13379                        |    | 3,997,693                     |
| IDEA Preschool Local Entitlement   | 84.027A                   | 13682                        |    | 269,238                       |
| IDEA Mental Health Services, Part B, Sec 611                               | 84.027A                   | 14468                        |    | 291,375                       |
| Subtotal: Special Education Cluster  |                           |                              |    | <u>4,665,556</u>              |
| Carl D. Perkins Career and Technical Education, Secondary                  | 84.048                    | 14894                        |    | 261,763                       |
| Pass-Through Programs from California State University, San Bernardino:    |                           |                              |    |                               |
| California State Gear Up Program   | 84.334A                   | 10088                        |    | 5,980                         |
| Total: United States Department of Education                               |                           |                              |    | <u>17,172,726</u>             |

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

| Program Name  | Federal Catalog<br>Number | Pass-Through<br>Entity Identifying<br>Number | Total Program<br>Expenditures |
|---|---------------------------|--|-------------------------------|
| <b>United States Department of Defense</b>                          |                           |  |                               |
| Pass-Through Program From California Department of Education:       |                           |  |                               |
| Junior Reserve Officers' Training Corps                             | 12.000                    | (1)  | <u>225,765</u>                |
| Total U.S. Department of Defense                                    |                           |  | <u>225,765</u>                |
| <b>United States Department of Health and Human Services</b>        |                           |  |                               |
| Pass-Through Program From California Department of Health Services: |                           |  |                               |
| Medi-Cal Billing Option   | 93.778                    | 10013  | <u>719,111</u>                |
| Total U.S. Department of Health and Human Services                  |                           |  | <u>719,111</u>                |
| <b>Total Federal Programs</b>                                       |                           |  | <u><u>\$ 31,858,289</u></u>   |
| <b>Reconciliation to Federal Revenue</b>                            |                           |  |                               |
| Total Federal Program Expenditures                                  |                           |  | \$ 31,858,289                 |
| Expenditures in excess of revenues related to Federal Entitlements: |                           |  |                               |
| Medi-Cal Billing Option   |                           |  | (106,943)                     |
| Revenues in excess of expenditures related to Federal Entitlements: |                           |  |                               |
| Medi-Cal Administrative Activities (MAA)                            |                           |  | <u>283,537</u>                |
| Total Federal Program Revenue                                       |                           |  | <u><u>\$ 32,034,883</u></u>   |
| Governmental Funds Federal Revenue                                  |                           |  |                               |
|   |                           |  | \$ 18,315,746                 |
| Proprietary Funds Federal Revenue                                   |                           |  |                               |
|   |                           |  | <u>13,719,137</u>             |
| Total Federal Program Revenue                                       |                           |  | <u><u>\$ 32,034,883</u></u>   |

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

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Fiscal Year Ended June 30, 2017**

|                              | <u>2018 (Budgeted)</u> | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           |
|------------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Total revenues               | \$ 300,257,086         | \$ 308,818,156        | \$ 294,297,459        | \$ 249,467,381        |
| Total expenditures           | 310,014,214            | 293,434,442           | 272,785,848           | 239,643,618           |
| Total other sources and uses | <u>(2,812,447)</u>     | <u>(4,119,606)</u>    | <u>(3,994,272)</u>    | <u>(113,473)</u>      |
| Change in fund balance       | (12,569,575)           | 11,264,108            | 17,517,339            | 9,710,290             |
| Ending fund balance          | <u>\$ 51,950,724</u>   | <u>\$ 64,520,300</u>  | <u>\$ 53,256,192</u>  | <u>\$ 357,368,853</u> |
| Available reserve            | <u>\$ 12,515,143</u>   | <u>\$ 12,188,996</u>  | <u>\$ 11,065,568</u>  | <u>\$ 27,716,384</u>  |
| Available reserve %          | 4%                     | 4%                    | 4%                    | 12%                   |
| ADA                          | <u>24,505</u>          | <u>24,761</u>         | <u>25,030</u>         | <u>25,171</u>         |
| Total long term debt         | <u>\$ 371,377,198</u>  | <u>\$ 378,538,928</u> | <u>\$ 338,975,889</u> | <u>\$ 295,128,970</u> |

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

The 2018 budget is the original budget adopted on June 7, 2017.

For a District this size, the state recommends an available reserve at 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2017, the District has met this requirement.

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2017**

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

See the accompanying notes to the supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT  
WITH THE AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

|   | Nutrition Services<br><u>Fund</u> |
|---|-----------------------------------|
| June 30, 2017 Annual Financial and Budget Report Fund Balance | \$ 16,746,914                     |
| Adjustments and Reclassifications:                            |                                   |
| Overstatement of depreciable assets, net                      | (350,241)                         |
| Overstatement of accounts payable                             | 3,863,310                         |
| Understatement of deferred outflows of resources - pensions   | 783,297                           |
| Understatement of net pension liability                       | (997,104)                         |
| Overstatement of deferred inflows of resources - pensions     | <u>152,449</u>                    |
| June 30, 2017 Audited Financial Statement Fund Balance        | <u>\$ 20,198,625</u>              |

See the accompanying notes to the supplementary information.

## RIALTO UNIFIED SCHOOL DISTRICT

### NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2017

#### **NOTE 1: PURPOSE OF SCHEDULES**

##### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

##### **Schedule of Instructional Time**

The District has not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

###### **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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

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

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

*The 2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

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

**Schedule of Charter Schools**

The *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

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

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

**OPTIONAL SUPPLEMENTARY INFORMATION**

**RIALTO UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

|   | Adult Education   | Child             | Capital Facilities  | County School       | Special Reserve     | Bond Interest and    | Total Non-Major      |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
|   | Fund              | Development Fund  | Fund                | Facilities Fund     | for Capital         | Redemption Fund      | Governmental Funds   |
|   |                   |                   |                     |                     | Outlay Fund         |                      |                      |
| <b><u>Assets</u></b>                        |                   |                   |                     |                     |                     |                      |                      |
| Cash in county treasury                     | \$ 527,019        | \$ 129,199        | \$ 6,038,378        | \$ 1,507,292        | \$ 2,971,431        | \$ 10,177,698        | \$ 21,351,017        |
| Accounts receivable:                        |                   |                   |                     |                     |                     |                      |                      |
| Federal and state governments               | -                 | 600,952           | -                   | -                   | -                   | -                    | 600,952              |
| Miscellaneous                               | 155,571           | 1,064             | 81,966              | 7,247               | 733,074             | -                    | 978,922              |
| Due from other funds                        | 102,623           | 48,911            | -                   | -                   | -                   | -                    | 151,534              |
| Prepaid expenses                            | -                 | -                 | 9,450               | -                   | -                   | -                    | 9,450                |
| <b>Total Assets</b>                         | <b>\$ 785,213</b> | <b>\$ 780,126</b> | <b>\$ 6,129,794</b> | <b>\$ 1,514,539</b> | <b>\$ 3,704,505</b> | <b>\$ 10,177,698</b> | <b>\$ 23,091,875</b> |
| <b><u>Liabilities and Fund Balances</u></b> |                   |                   |                     |                     |                     |                      |                      |
| <b><u>Liabilities</u></b>                   |                   |                   |                     |                     |                     |                      |                      |
| Accounts payable                            | \$ 124,853        | \$ 294,359        | \$ 237,478          | \$ -                | \$ 1,875,499        | \$ -                 | \$ 2,532,189         |
| Due to other funds                          | 23,848            | 476,683           | -                   | -                   | -                   | -                    | 500,531              |
| <b>Total Liabilities</b>                    | <b>148,701</b>    | <b>771,042</b>    | <b>237,478</b>      | <b>-</b>            | <b>1,875,499</b>    | <b>-</b>             | <b>3,032,720</b>     |
| <b><u>Fund Balances</u></b>                 |                   |                   |                     |                     |                     |                      |                      |
| Nonspendable                                |                   |                   | 9,450               |                     |                     |                      | 9,450                |
| Restricted                                  | 636,512           | 9,084             | 5,882,866           | 1,514,539           | -                   | 10,177,698           | 18,220,699           |
| Assigned                                    | -                 | -                 | -                   | -                   | 1,829,006           | -                    | 1,829,006            |
| <b>Total Fund Balances</b>                  | <b>636,512</b>    | <b>9,084</b>      | <b>5,892,316</b>    | <b>1,514,539</b>    | <b>1,829,006</b>    | <b>10,177,698</b>    | <b>20,059,155</b>    |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 785,213</b> | <b>\$ 780,126</b> | <b>\$ 6,129,794</b> | <b>\$ 1,514,539</b> | <b>\$ 3,704,505</b> | <b>\$ 10,177,698</b> | <b>\$ 23,091,875</b> |

See the accompanying notes to the Optional Supplementary Information

**RIALTO UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017**

|  | Adult Education<br>Fund | Child<br>Development Fund | Capital Facilities<br>Fund | County School<br>Facilities Fund | Special Reserve<br>for Capital<br>Outlay Fund | Bond Interest and<br>Redemption Fund | Total Non-Major<br>Governmental Funds |
|--|-------------------------|---------------------------|----------------------------|----------------------------------|---|--------------------------------------|---------------------------------------|
| <b>Revenues</b>                                      |                         |                           |                            |                                  |   |                                      |                                       |
| Other state sources                                  | \$ 941,324              | \$ 3,434,001              | \$ -                       | \$ -                             | \$ -  | \$ 93,372                            | \$ 4,468,697                          |
| Other local sources                                  | 4,299                   | 18,617                    | 2,319,995                  | 27,831                           | 747,909                                       | 8,602,667                            | 11,721,318                            |
| <b>Total Revenues</b>                                | <u>945,623</u>          | <u>3,452,618</u>          | <u>2,319,995</u>           | <u>27,831</u>                    | <u>747,909</u>                                | <u>8,696,039</u>                     | <u>16,190,015</u>                     |
| <b>Expenditures</b>                                  |                         |                           |                            |                                  |   |                                      |                                       |
| Instruction  | 372,570                 | 3,212,893                 | -                          | -                                | -   | -                                    | 3,585,463                             |
| Instruction - related services                       | 208,654                 | 957,918                   | -                          | -                                | -   | -                                    | 1,166,572                             |
| Pupil services                                       | -                       | 59,925                    | -                          | -                                | -   | -                                    | 59,925                                |
| General administration                               | 41,818                  | 233,700                   | -                          | -                                | -   | -                                    | 275,518                               |
| Plant services                                       | 185,049                 | 163,351                   | 1,607,651                  | -                                | 4,143,509                                     | -                                    | 6,099,560                             |
| Debt service   | -                       | 26,000                    | -                          | -                                | -   | 8,059,721                            | 8,085,721                             |
| <b>Total Expenditures</b>                            | <u>808,091</u>          | <u>4,653,787</u>          | <u>1,607,651</u>           | <u>-</u>                         | <u>4,143,509</u>                              | <u>8,059,721</u>                     | <u>19,272,759</u>                     |
| Excess (deficiency) of revenues<br>over expenditures | <u>137,532</u>          | <u>(1,201,169)</u>        | <u>712,344</u>             | <u>27,831</u>                    | <u>(3,395,600)</u>                            | <u>636,318</u>                       | <u>(3,082,744)</u>                    |
| <b>Other Financing Sources</b>                       |                         |                           |                            |                                  |   |                                      |                                       |
| Interfund transfers in                               | 102,624                 | 1,201,169                 | -                          | -                                | 2,815,131                                     | -                                    | 4,118,924                             |
| Interfund transfers out                              | -                       | -                         | -                          | (2,279,017)                      | -   | -                                    | (2,279,017)                           |
| <b>Total Other Financing Sources</b>                 | <u>102,624</u>          | <u>1,201,169</u>          | <u>-</u>                   | <u>(2,279,017)</u>               | <u>2,815,131</u>                              | <u>-</u>                             | <u>1,839,907</u>                      |
| Net changes in fund balance                          | 240,156                 | -                         | 712,344                    | (2,251,186)                      | (580,469)                                     | 636,318                              | (1,242,837)                           |
| <b>Fund Balances at Beginning of Year</b>            | <u>396,356</u>          | <u>9,084</u>              | <u>5,179,972</u>           | <u>3,765,725</u>                 | <u>2,409,475</u>                              | <u>9,541,380</u>                     | <u>21,301,992</u>                     |
| <b>Fund Balances at End of Year</b>                  | <u>\$ 636,512</u>       | <u>\$ 9,084</u>           | <u>\$ 5,892,316</u>        | <u>\$ 1,514,539</u>              | <u>\$ 1,829,006</u>                           | <u>\$ 10,177,698</u>                 | <u>\$ 20,059,155</u>                  |

See the accompanying notes to the Optional Supplementary Information

**RIALTO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

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

**OTHER INDEPENDENT AUDITOR'S REPORT**

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

Board of Education  
Rialto Unified School District  
Rialto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 27, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

**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***

material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

**District’s Response to Findings**

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

**Purpose of this Report**

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



CliftonLarsonAllen LLP  
Glendora, California  
November 27, 2017

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

Board of Education  
Rialto Unified School District  
Rialto, California

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

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

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

**Purpose of this Report**

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

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
November 27, 2017

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education  
Rialto Unified School District  
Rialto, California

We have audited the Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

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

<sup>1</sup>The District was not listed on the immunization assessment reports

<sup>2</sup>The District is not the granting agency for any Charter Schools

# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

## **Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

## **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
November 27, 2017

**FINDINGS AND QUESTIONED COSTS**

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2017**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

|   |                |                          |
|---|----------------|--------------------------|
| Material weakness(es) identified?                     | <u> X </u> Yes | <u> </u> No              |
| Significant deficiency(ies) identified?               | <u> </u> Yes   | <u> X </u> None Reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes   | <u> X </u> No            |

**Federal Awards**

Internal control over major federal awards:

|   |              |                          |
|---|--------------|--------------------------|
| Material weakness(es) identified?       | <u> </u> Yes | <u> X </u> No            |
| Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None Reported |

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

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

**Identification of Major Federal Programs:**

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>               |
|-----------------------|---|
| 84.010                | Title I, Part A – Basic Grants Low-Income and Neglected |

Dollar threshold used to distinguish between type A and type B programs: \$955,749

Auditee qualified as low-risk auditee?  X  Yes   No

**RIALTO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO THE FINANCIAL STATEMENTS  
June 30, 2017**

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

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

**2017-001      Nutrition Services Internal Controls and Year-end Closing      30000**

**Criteria:** California School Accounting Manual Procedure 305 allows a Cafeteria Fund to be accounted for using an enterprise fund type rather than a special revenue fund type. Because the District has elected to use an enterprise fund to record Cafeteria activity, the fund should be recorded in fund 61 in the district’s county accounting system and the fund should use the accrual basis of accounting.

**Condition:** The nutrition services day to day transactions are recorded in eTriton at the Nutrition services office and monthly totals of revenue, expenses and cash are recorded in the county system monthly. At yearend balance sheet accounts were recorded for June 30, 2017 balances. The purchase clearing account in the Cafeteria’s in-house financial system was not reconciled after the system was converted to a web based platform. The final balance of the account was recognized as an outstanding liability at year end causing an overstatement in accounts payable and expense. Additionally, entries were not completed to bring the fund to full accrual. Balances were not updated for the net pension liability, deferred inflows of resources, deferred outflows of resources, fixed assets and depreciation. This resulted in audit adjustments to the Cafeteria fund.

**Effect:** Audit adjustments were made to accounts payable, food expense, net pension liability and related deferred inflows and outflows of resources and fixed assets and related depreciation accounts.

**Cause:** There are no controls to prevent or mitigate errors that may arise during transitions to new programs. A detailed reconciliation process before and after the new in-house web- based financial system would have identified the discrepancy.

**RIALTO UNIFIED SCHOOL DISTRICT**

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

**June 30, 2017**

**Questioned Costs:** Net increase to fund balance of \$3,451,711 (see page 64).

**Recommendation:** Based on our understanding that the District plans to change the Cafeteria fund to a special revenue fund type in 2017-18, we recommend that the District utilize the County accounting system to record daily activity in the Cafeteria fund throughout the year. This will allow the transactions to become part of the established District internal controls and financial reporting and review process.

**District Response:** As of July 1, 2017, the District utilizes the County accounting system to record the Cafeteria Fund's activity.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2017**

**FEDERAL AWARDS FINDINGS**

There were no findings and questioned costs related to federal awards for June 30, 2017.

**RIALTO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO STATE AWARDS**  
**June 30, 2017**

**STATE COMPLIANCE FINDINGS**

There were no findings and questioned costs related to state awards for the year ended June 30, 2017.

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2017**

**2016-001      Internal Controls: Kucera Middle School ASB      30000**

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

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

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

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

Void checks should be properly safeguarded and defaced.

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

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

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

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

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

Void checks were not properly defaced upon inspection.

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

**RIALTO UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2017**

**2016-001      Internal Controls: Kucera Middle School ASB      30000**

**Context:** Not applicable.

**Effect:** Possible misappropriation of funds, inadequate records, clerical mistakes.

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

**Questioned Costs and Units:** Not applicable.

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

**Current Status:** Implemented.