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UNEQUIVOCAL
EXCELLENCE

RIALTO UNIFIED SCHOOL DISTRICT

SAN BERNARDINO COUNTY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2015



RIALTO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-ix
FINANCIAL SECTION	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6-7
Statement of Fund Net Position – Proprietary Funds.....	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	9
Statement of Cash Flows – Proprietary Funds	10-11
Statement of Fiduciary Net Position.....	12
Notes to Financial Statements.....	13-64
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Budgetary Comparison for the General Fund	65
Schedule of Postemployment Healthcare Benefits Funding Progress	66
Schedule of District's Proportionate Share of the Net Pension Liability – State Teachers' Retirement Plan	67
Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System – Schools Pool Plan.....	68
Schedule of District Contributions – State Teachers' Retirement Plan	69
Schedule of District Contributions – California Public Employees' Retirement System Schools Pool Plan.....	70
Notes to Required Supplementary Information	71

RIALTO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2015

TABLE OF CONTENTS

(continued)

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
History and Organization	72
Schedule of Average Daily Attendance (ADA).....	73
Schedule of Instructional Time	74
Schedule of Expenditures of Federal Awards.....	75-76
Schedule of Financial Trends and Analysis.....	77
Schedule of Charter Schools	78
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	79
Notes to Supplementary Information	80-81
OPTIONAL SUPPLEMENTARY INFORMATION	
Combining Statements by Fund Types: Combining Statements – Non–Major Funds: Non–Major Governmental Funds	
Combining Balance Sheet.....	82
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances	83
Notes to Optional Supplementary Information	84
OTHER INDEPENDENT AUDITOR’S REPORTS	
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	85-86
Independent Auditor’s Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A–133.....	87-89
Independent Auditor’s Report on State Compliance	90-92

RIALTO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2015

TABLE OF CONTENTS

(continued)

	<u>Page</u>
FINDINGS AND RECOMMENDATIONS	
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	93
Schedule of Findings and Questioned Costs – Related to Financial Statements	94-97
Schedule of Findings and Questioned Costs – Related to Federal Awards	98
Schedule of Findings and Questioned Costs – Related to State Awards	99
Status of Prior Year Findings and Questioned Costs	100-108



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, 2015, 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 of 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.

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

Board of Education
Rialto Unified School District

Opinions

In our opinion, the financial statements listed 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 Rialto Unified School District as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 20 to the basic financial statements, in 2015 the Rialto Unified School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions and schedule of postemployment healthcare benefits funding progress 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.

Board of Education
Rialto Unified School District

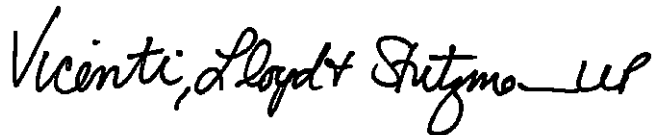
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rialto Unified School District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the Rialto Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rialto Unified School District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 4, 2015

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2015. 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 Statements 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 totaled \$266.5 million or \$7.0 million more than expenditures.
- Overall the District's net assets decreased by \$175.9 million or 69.76% over the course of the year. This change was the result of the implementation of GASB 67 and GASB 68 which required the District to recognize the net STRS/PERS pension liability.
- The District's total long-term debt obligations increased by \$10.9 million during the current fiscal year. The increase was a combination of an increase to the net OPEB obligation and General Obligation Bonds offset by a decrease in the Net Pension Liability and Supplemental Early Retirement Plan (SERP).
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$27.7 million or 9.7% of total General Fund expenditures.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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 216 students over the last five years.
- The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

Projected Student Average Daily Attendance (ADA) –

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

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Fund Financial Statements

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

The District maintains three classes of funds:

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Net Position

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Statement of Net Position for the years ended June 30, 2014 and June 30, 2015 are summarized and analyzed below:

Summary of Statement of Net Position	Governmental Activities		Variance
	2014-15	2013-14	
Non-capital Assets	\$ 96,131,219	\$ 78,711,799	\$ 17,419,420
Capital Assets	<u>322,557,239</u>	<u>324,668,809</u>	<u>(2,111,570)</u>
Total Assets	<u>418,688,458</u>	<u>403,380,608</u>	<u>15,307,850</u>
Deferred Outflows of Resources	<u>15,399,717</u>	<u>2,383,669</u>	<u>13,016,048</u>
Current Liabilities	19,620,726	47,459,810	(27,839,084)
Long Term Liabilities	<u>295,128,970</u>	<u>106,157,203</u>	<u>188,971,767</u>
Total Liabilities	<u>314,749,696</u>	<u>153,617,013</u>	<u>161,132,683</u>
Deferred Inflows of Resources	<u>43,104,052</u>	<u> </u>	<u>43,104,052</u>
Net Position Invested in Capital Assets	192,360,979	225,872,986	(33,512,007)
Net Position Legally Restricted	48,525,853	19,533,011	28,992,842
Net Position Unrestricted	<u>(164,652,405)</u>	<u>6,741,267</u>	<u>(171,393,672)</u>
Total Net Position	<u>\$ 76,234,427</u>	<u>\$ 252,147,264</u>	<u>\$ (175,912,837)</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2014 and June 30, 2015 are summarized below:

	<u>Governmental Activities</u>		<u>Variance</u>
	<u>2014-15</u>	<u>2013-14</u>	
Revenues			
Program revenues:			
Charges for services	\$ 2,879,660	\$ 1,113,141	\$ (1,766,519)
Operating grants and contributions	44,337,980	40,717,342	(3,620,638)
Capital grants and contributions	5,380,504		(5,380,504)
General revenues:			
Property Taxes	20,597,195	22,404,831	1,807,636
Federal and state aid not restricted	190,068,793	161,882,168	(28,186,625)
Interest and investment earnings	79,024	448,882	369,858
Interagency revenues	1,148,118	1,047,471	(100,647)
Miscellaneous	2,102,520	1,383,716	(718,804)
Transfers	(6,449)	(3,805,473)	(3,799,024)
Total Revenues	<u>266,587,345</u>	<u>225,192,078</u>	<u>(41,395,267)</u>
Expenses			
Instruction	147,602,353	132,858,517	(14,743,836)
Instruction-related services	29,907,352	26,778,513	(3,128,839)
Pupil services	20,777,706	17,700,683	(3,077,023)
Community services	746	5,351	4,605
General administration	14,852,388	13,967,656	(884,732)
Plant services	26,965,679	26,601,925	(363,754)
Other outgo	792,015	2,667,286	1,875,271
Debt service - interest	4,152,330	2,732,131	(1,420,199)
Depreciation (unallocated)	14,534,057	9,562,096	(4,971,961)
Total Expenses	<u>259,584,626</u>	<u>232,874,158</u>	<u>(26,710,468)</u>
Change in net position	<u>7,002,719</u>	<u>(7,682,080)</u>	<u>(14,684,799)</u>
Net Position, beginning of year as originally stated	252,147,264	263,033,356	10,886,092
Cumulative effect of change in accounting principle	(182,915,556)	(2,145,027)	180,770,529
Adjustment for restatement	-	(1,058,985)	(1,058,985)
Net Position, beginning of the year, after cumulative effect	<u>69,231,708</u>	<u>259,829,344</u>	<u>190,597,636</u>
Net Position, end of year	<u>\$ 76,234,427</u>	<u>\$ 252,147,264</u>	<u>\$ 175,912,837</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Statement of Activities (continued)

- Total revenues increased by \$41.4 million between fiscal years. The increase is a result of Federal and State aide, the majority arising from the Local Control Funding Formula (LCFF).
- Total expenses increased in 2014–2015 by \$26.7 million between fiscal years. The increase is mainly attributed to the increase in salaries and benefits, the restoration of Class Size Reduction, and the Local Control Accountability Plan (LCAP) approved programs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the District had a decrease of \$2.1 million invested in capital assets, net of depreciation, in governmental funds. The change is net effect of the completion of the Kelley/ Kucera Additional Classroom project and the increase in depreciation expense.

Note 15 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation at year–end for 2014 and 2015 are presented below:

	Balance June 30, 2015	Balance June 30, 2014
Land	\$ 39,752,485	\$ 39,752,485
Buildings and improvements	402,010,247	375,135,867
Equipment and vehicles	21,239,084	20,621,196
Construction in progress	<u>15,089,653</u>	<u>30,464,424</u>
Totals at historical cost	<u>478,091,469</u>	<u>465,973,972</u>
Less: accumulated depreciation for		
Buildings and improvements	140,353,596	127,177,447
Equipment and vehicles	<u>15,180,634</u>	<u>14,127,716</u>
Total accumulated depreciation	<u>155,534,230</u>	<u>141,305,163</u>
Governmental capital assets, net	<u>\$ 322,557,239</u>	<u>\$ 324,668,809</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Debt

Notes 7–14 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year–end for 2014 and 2015 is presented below:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Balance</u> <u>June 30, 2014</u>
General obligation bonds, including accreted interest	\$ 121,014,384	\$ 88,708,423
Certificates of participation	6,250,000	6,840,000
Child care facilities revolving fund	52,000	78,000
City of Rialto redevelopment agency loan	5,101,941	5,553,169
Supplemental early retirement plan	267,870	2,029,940
Early retirement incentive	710,396	868,604
Compensated absences	680,902	492,124
Net Pension Liability	152,291,923 *	193,955,686
Post employment healthcare benefits	<u>8,759,554</u>	<u>7,502,537</u>
	<u>\$ 295,128,970</u>	<u>\$ 306,028,483</u>

* with cumulative effect of change in accounting principle applied

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

Economic Factors that may Affect the Future

2014–15 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 18, 2014.

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

Contacting the District's Financial Management

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

FINANCIAL SECTION

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash in county treasury	\$ 85,146,583	\$	\$ 85,146,583
Cash on hand and in banks		16,103,233	16,103,233
Cash in revolving fund	90,000	700	90,700
Accounts receivable:			
Federal and state governments	9,695,024	3,481,672	13,176,696
Miscellaneous	396,948	107,816	504,764
Due from other funds	684,403	37,055	721,458
Inventories	114,364	402,467	516,831
Prepaid expenditures	3,897		3,897
Land	39,752,485		39,752,485
Construction in progress	15,089,653		15,089,653
Depreciable assets, net	<u>267,715,101</u>	<u>4,775,692</u>	<u>272,490,793</u>
Total Assets	<u>418,688,458</u>	<u>24,908,635</u>	<u>443,597,093</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources relating to pensions	13,177,652	332,910	13,510,562
Deferred charge on refunding	<u>2,222,065</u>		<u>2,222,065</u>
Total Deferred Outflows of Resources	<u>15,399,717</u>	<u>332,910</u>	<u>15,732,627</u>
<u>Liabilities</u>			
Accounts payable and other current liabilities	18,682,952	90,181	18,773,133
Accrued interest	744,627		744,627
Unearned revenue	156,092		156,092
Due to other funds	37,055	684,403	721,458
Current portion of long-term liabilities:			
Supplemental employee retirement plan	133,935		133,935
Early retirement incentive	158,203		158,203
Child care facilities revolving fund	26,000		26,000
City of Rialto redevelopment agency loan	70,000		70,000
Certificates of participation	610,000		610,000
General obligation bonds	3,315,774		3,315,774
Non-current portion of long-term liabilities:			
Compensated absences	680,902		680,902
Other postemployment benefits other than pensions (OPEB)	8,759,554		8,759,554
Supplemental employee retirement plan	133,935		133,935
Early retirement incentive	552,193		552,193
Child care facilities revolving fund	26,000		26,000
City of Rialto redevelopment agency loan	5,031,941		5,031,941
Certificates of participation	5,640,000		5,640,000
Net pension liability	152,291,923	2,873,279	155,165,202
General obligation bonds	<u>117,698,610</u>		<u>117,698,610</u>
Total Liabilities	<u>314,749,696</u>	<u>3,647,863</u>	<u>318,397,559</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources relating to pensions	43,104,052	1,177,548	44,281,600
Total Deferred Inflows of Resources	<u>43,104,052</u>	<u>1,177,548</u>	<u>44,281,600</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	192,360,979	4,775,692	197,136,671
Restricted for:			
Debt service	5,424,664		5,424,664
Capital projects	35,274,521		35,274,521
Educational programs	7,826,668		7,826,668
Unrestricted	<u>(164,652,405)</u>	<u>15,640,442</u>	<u>(149,011,963)</u>
Total Net Position	<u>\$ 76,234,427</u>	<u>\$ 20,416,134</u>	<u>\$ 96,650,561</u>

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 147,602,353	\$ 12,850	\$ 27,885,308	\$	\$ (119,704,195)	\$	\$ (119,704,195)
Instruction-related services	29,907,352		6,139,347		(23,768,005)		(23,768,005)
Pupil services	20,777,706	(27,742)	3,252,859		(17,552,589)		(17,552,589)
Community services	746		-		(746)		(746)
General administration	14,852,388	111,255	3,019,193		(11,721,940)		(11,721,940)
Plant services	26,965,679	1,431,046	2,994,082	5,380,504	(17,160,047)		(17,160,047)
Other outgo	792,015	1,352,251	1,047,191		1,607,427		1,607,427
Debt service - interest	4,152,330				(4,152,330)		(4,152,330)
Depreciation (unallocated)	14,534,057				(14,534,057)		(14,534,057)
Total Governmental Activities	259,584,626	2,879,660	44,337,980	5,380,504	(206,986,482)	-	(206,986,482)
Business-Type Activities							
Enterprise activities	16,049,088	1,421,395	14,418,433	-		(209,260)	(209,260)
Total Business-Type Activities	16,049,088	1,421,395	14,418,433	-	-	(209,260)	(209,260)
Total School District	\$ 275,633,714	\$ 4,301,055	\$ 58,756,413	\$ 5,380,504	(206,986,482)	(209,260)	(207,195,742)
General Revenues							
Property taxes levied for:							
General purposes					14,909,742		14,909,742
Debt service					4,468,288		4,468,288
Other specific purposes					1,219,165		1,219,165
Federal and state aid not restricted to specific purposes					190,068,793		190,068,793
Interest and investment earnings					79,024	47,673	126,697
Interagency revenues					1,148,118		1,148,118
Miscellaneous					2,102,520	116,302	2,218,822
Total General Revenues					213,995,650	163,975	214,159,625
Transfer - internal activities					(6,449)	6,449	-
Total General Revenues and Transfers					213,989,201	170,424	214,159,625
Change in net position					7,002,719	(38,836)	6,963,883
Net Position - Beginning of Year, as Originally Stated					252,147,264	24,314,765	276,462,029
Cumulative effect of change in accounting principle (See note 20)					(182,915,556)	(3,859,795)	(186,775,351)
Net Position - Beginning of Year, After Cumulative Effect					69,231,708	20,454,970	89,686,678
Net Position - End of Year					\$ 76,234,427	\$ 20,416,134	\$ 96,650,561

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash in county treasury	\$ 42,121,011	\$ 31,695,497	\$ 11,330,075	\$ 85,146,583
Cash in revolving fund	90,000			90,000
Accounts receivable:				
Federal and state governments	9,508,372		186,652	9,695,024
Miscellaneous	148,271	20,620	228,057	396,948
Due from other funds	1,153,456		107,024	1,260,480
Inventories	114,364			114,364
Prepaid expenditures	3,897			3,897
Total Assets	<u>\$ 53,139,371</u>	<u>\$ 31,716,117</u>	<u>\$ 11,851,808</u>	<u>\$ 96,707,296</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 17,100,347	\$ 155,804	\$ 1,426,801	\$ 18,682,952
Unearned revenue	156,092			156,092
Due to other funds	144,079	355	468,698	613,132
Total Liabilities	<u>17,400,518</u>	<u>156,159</u>	<u>1,895,499</u>	<u>19,452,176</u>
<u>Fund Balance</u>				
Nonspendable	208,261			208,261
Restricted	7,814,208	31,559,958	9,896,314	49,270,480
Assigned			59,995	59,995
Unassigned	27,716,384			27,716,384
Total Fund Balance	<u>35,738,853</u>	<u>31,559,958</u>	<u>9,956,309</u>	<u>77,255,120</u>
Total Liabilities and Fund Balance	<u>\$ 53,139,371</u>	<u>\$ 31,716,117</u>	<u>\$ 11,851,808</u>	<u>\$ 96,707,296</u>

See the 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, 2015**

Total fund balances – governmental funds \$ 77,255,120

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

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

Land	\$ 39,752,485	
Construction in progress	15,089,653	
Depreciable assets, net	<u>267,715,101</u>	
Total capital assets		322,557,239

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

Compensated absences payable	(680,902)	
Other postemployment benefits other than pensions (OPEB)	(8,759,554)	
Supplemental employee retirement plan	(267,870)	
Early retirement incentive	(710,396)	
Net Pension Liability	(152,291,923)	
Deferred inflows of resources related to pensions	(43,104,052)	
Child care facilities revolving fund	(52,000)	
City of Rialto redevelopment agency loan	(5,101,941)	
Certificates of participation payable	(6,250,000)	
General obligation bonds payable and related premium	(121,014,384)	
Less: deferred charges on refunding bonds	<u>2,222,065</u>	
Total long-term liabilities		(336,010,957)

Pension contributions made during the fiscal year are removed from fund
expenses and are recorded as a deferred outflows of resources. This amount
will be recognized as a reduction of the net pension liability in the subsequent year. 13,177,652

Interest expense related to certificates of participation and
general obligation bonds payable was incurred but not accrued
through June 30, 2015. (744,627)

Total net position – governmental activities \$ 76,234,427

See the 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, 2015**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local control funding formula sources:				
State apportionments	\$ 184,533,441	\$	\$	\$ 184,533,441
Local sources	<u>14,909,742</u>			<u>14,909,742</u>
Total local control funding formula sources	199,443,183	-	-	199,443,183
Federal sources	13,745,972		62,077	13,808,049
Other state sources	20,898,201		8,192,566	29,090,767
Other local sources	<u>15,380,025</u>	<u>41,272</u>	<u>9,060,540</u>	<u>24,481,837</u>
Total Revenues	<u>249,467,381</u>	<u>41,272</u>	<u>17,315,183</u>	<u>266,823,836</u>
Expenditures				
Instruction	145,086,416		2,502,929	147,589,345
Instruction-related services	29,057,251		807,368	29,864,619
Pupil services	20,436,328		54,389	20,490,717
Community services	746			746
General administration	14,564,932		252,087	14,817,019
Plant services	28,121,677	1,714,316	8,945,492	38,781,485
Other outgo	1,123,708	585,795		1,709,503
Debt service	<u>1,252,560</u>		<u>4,914,529</u>	<u>6,167,089</u>
Total Expenditures	<u>239,643,618</u>	<u>2,300,111</u>	<u>17,476,794</u>	<u>259,420,523</u>
Excess (deficiency) of revenues over expenditures	<u>9,823,763</u>	<u>(2,258,839)</u>	<u>(161,611)</u>	<u>7,403,313</u>
Other Financing Sources (Uses)				
Interfund transfers in			107,024	107,024
Proceeds from Sale of General Obligation Bonds		32,015,000		32,015,000
Interfund transfers out	<u>(113,473)</u>			<u>(113,473)</u>
Total Other Financing Sources (Uses)	<u>(113,473)</u>	<u>32,015,000</u>	<u>107,024</u>	<u>32,008,551</u>
Net change in fund balance	9,710,290	29,756,161	(54,587)	39,411,864
Fund Balance - Beginning of Year	<u>26,028,563</u>	<u>1,803,797</u>	<u>10,010,896</u>	<u>37,843,256</u>
Fund Balance - End of Year	<u>\$ 35,738,853</u>	<u>\$ 31,559,958</u>	<u>\$ 9,956,309</u>	<u>\$ 77,255,120</u>

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

For the Fiscal Year Ended June 30, 2015

Net change in fund balances – government funds \$39,411,864

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

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their useful lives as depreciation expense.

Capital outlay	\$ 12,490,954	
Depreciation expense	<u>(14,534,057)</u>	
Excess of capital outlay over depreciation expense		(2,043,103)

Governmental funds report the proceeds from the disposal of
capital assets as revenue. In the statement of activities, only
resulting gain or loss is reported.

Disposal of fixed assets	(68,467)
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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.

General obligation bond	3,286,841	
Child care facilities revolving fund	26,000	
City of Rialto redevelopment agency loan	451,228	
Supplemental early retirement plan	1,762,070	
Early retirement incentive	158,208	
Certificates of participation	<u>590,000</u>	
		6,274,347

The governmental funds report amounts contributed to employee
retirement plans as an expense. However, in the statement of
activities, the District's proportionate share of the retirement
retirements plans' pension expense is recorded.

Pension Expense	697,243
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Debt proceeds: in governmental funds, proceeds from debt are
recognized as Other Financing Sources. In the governmental-wide
statements, proceeds from debt are reported as increases to liabilities.
Amounts recognized in governmental funds as proceeds from debt,
Net of issue premium or discount, were:

New bond	(32,015,000)
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See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

For the Fiscal Year Ended June 30, 2015

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

Amortization of premium on general obligation bonds	114,275	
Amortization of deferred charges on refunding bonds	(161,605)	
Accreted interest on general obligation bonds	(3,692,077)	
Net increase in accrued interest expense	(68,953)	
Net increase in compensated absences	(188,788)	
Net increase in the other postemployment benefits other than pensions (OPEB) obligation	<u>(1,257,017)</u>	
Total other items		<u>(5,254,165)</u>
Change in net position – governmental activities		<u>\$ 7,002,719</u>

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

June 30, 2015

	Business-Type Activities: Enterprise Fund
	Nutrition Services
<u>Assets</u>	
Current assets	
Cash on hand and in banks	\$ 16,103,233
Cash in revolving fund	700
Accounts receivable:	
Federal and state governments	3,481,672
Miscellaneous	107,816
Due from other funds	37,055
Inventories	402,467
Total current assets	20,132,943
Non-current assets	
Depreciable assets, net	4,775,692
Total non-current assets	4,775,692
Total Assets	24,908,635
Deferred Outflows of Resources	
Deferred outflows of resources relating to pensions	332,910
Total Deferred Outflows of Resources	
<u>Liabilities</u>	
Current liabilities	
Accounts payable	90,181
Due to other funds	684,403
Total current liabilities	774,584
Non-current liabilities	
Net pension liability	2,873,279
Total non-current liabilities	2,873,279
Total Liabilities	3,647,863
Deferred Inflows of Resources	
Deferred inflows of resources relating to pensions	1,177,548
<u>Net Position</u>	
Invested in capital assets	4,775,692
Unrestricted	15,640,442
Total Net Position	\$ 20,416,134

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Operating Revenues	
Child nutrition programs	
Federal sources	\$ 13,378,883
State sources	1,039,550
Subtotal	14,418,433
Food service sales	1,421,395
All other local revenue	116,302
Total Operating Revenues	15,956,130
Operating Expenses	
Classified salaries	3,808,229
Employee benefits	1,316,420
Food and supplies	9,211,466
Services and other operating expenses	482,470
Depreciation	420,914
Other outgo	809,589
Total Operating Expenses	16,049,088
Operating income	(92,958)
Non-Operating Revenues	
Interest income	47,673
Interfund transfer in	6,449
Total Non-Operating Revenues	54,122
Change in net position	(38,836)
Net Position - Beginning of Year	24,314,765
Cumulative effect of change in accounting principle (see note 20)	(3,859,795)
Net Position - Beginning of Year, After Cumulative Effect	20,454,970
Net Position - End of Year	\$ 20,416,134

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities: Enterprise Fund</u>
	<u>Nutrition Services</u>
Cash Flows from Operating Activities:	
Cash received from operations	\$ 15,491,400
Cash paid for operating expenses	<u>(14,953,213)</u>
Net cash provided by operating activities	<u>538,187</u>
Cash Flows from Investing Activities:	
Interest income	<u>47,673</u>
Net cash provided by investing activities	<u>47,673</u>
Cash Flows from Non-Capital Financing Activities:	
Transfer in from funds	<u>6,449</u>
Net cash provided by financing activities	<u>6,449</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(15,917)</u>
Net cash used by financing activities	<u>(15,917)</u>
Net increase in cash	576,392
Cash - July 1, 2014	<u>15,527,541</u>
Cash - June 30, 2015	<u>\$ 16,103,933</u>

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Operating Income	\$ (92,958)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	420,914
Changes in operating assets and liabilities:	
Accounts receivable	187,351
Due from other funds	(37,055)
Inventory	(22,354)
Deferred outflows of resources related to pensions	(27,153)
Accounts payable	90,180
Due to other funds	133,987
Net pension liability	(1,292,273)
Deferred inflows of resources related to pensions	1,177,548
Total adjustments	631,145
Net Cash Provided by Operating Activities	\$ 538,187
Cash balances at June 30, 2015 consisted of the following:	
Cash on hand and in banks	\$ 16,103,233
Cash in revolving fund	700
Total cash balance at June 30, 2015	\$ 16,103,933

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Associated Student Body Funds
<u>Assets</u>	
Cash on hand and in banks	\$ 779,190
Accounts receivable:	
Miscellaneous	1,011
Prepaid Expenses	5,000
Inventories	13,132
Total Assets	<u>\$ 798,333</u>
<u>Liabilities</u>	
Accounts payable	\$ 27,504
Funds held in trust	770,829
Total Liabilities	<u>\$ 798,333</u>

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. 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.

1. Government-wide Financial Statements:

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

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

2. 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

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

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

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

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

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

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

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

General administration – includes data processing services and all other general administration services.

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

Other outgo – includes transfers to other agencies.

Debt service – includes principal and interest payments for long term debt.

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING:

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

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

GOVERNMENTAL FUNDS – MAJOR

General Fund – the general operating fund of the District is 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.

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

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.

1. Capital Facilities Fund – used to account for resources received from residential and commercial developer impact fees.
2. County School Facilities Fund – used to account for the School Facility Program grants award for modernization and new construction of various school sites.
3. Special Reserve Fund – used to account for specific board-approved capital expenditures.

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS

Enterprise Fund

Nutrition Services Fund – used to account for revenues received and expenditures 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 as well as unorganized associated student body funds at the elementary schools.

C. 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. 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, 2015, the inventory for supplies is \$114,364. The inventory for food is \$402,467.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, 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 expenditure/expense is reported in the year in which goods or services are consumed.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

5. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20–50 years
Furniture and Equipment	2–15 years
Vehicles	2–15 years

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

6. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applied to a future period and thus, will not be recognized as an outflow of resources until then. These amounts are reported in the government-wide statement of net position and the proprietary fund 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 – pension contributions: 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. The deferred outflows – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

7. 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.

8. 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

8. Compensated Absences (continued)

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.

9. 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. Bonds payable 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

10. 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.

11. 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 – pensions, results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. This amount is deferred and amortized against pension expense over closed periods ranging from 3.9 to 5 years.

12. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

13. 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

14. 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.

15. Minimum Fund Balance Policy

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

16. 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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

17. Property Taxes

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

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.

18. 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 amount of on-behalf payments made for the District has been recorded in the fund financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

19. Contributed Services

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

20. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating 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. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB.

21. 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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. 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 Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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:

1. 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.
2. 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

3. 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 component unit has been included in the District's reporting entity:

The Rialto Unified School District Facilities Corporation – the financial activity has been blended in the District's Special Reserve for Capital Outlay Fund and the General Fund. 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 units have been excluded from the District's reporting entity:

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – BUDGETS:

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS:

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, 2015, \$16,730,650 of the District's bank balance of \$16,980,650 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$14,750,000
Uninsured and uncollateralized	<u>1,980,650</u>
Total	<u>\$16,730,650</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

Cash in County (continued)

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. These pooled funds are carried at amortized cost which approximates fair value.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in 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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2015 are temporary loans and are detailed as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,153,456	\$ 144,079
Enterprise Funds:		
Nutrition Services	37,055	684,403
Special Revenue Funds:		
Child Development	107,024	468,698
Capital Projects Funds:		
Building	<u> </u>	<u>355</u>
Totals	<u>\$ 1,297,535</u>	<u>\$ 1,297,535</u>

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – INTERFUND TRANSACTIONS: (continued)

B. 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 2014–15 fiscal year are as follows:

Transfer from the General Fund to the Nutrition Services Fund to reimburse for employee rewards	\$ 6,449
Transfer from the General Fund to the Child Development Fund for program enhancement	<u>107,024</u>
Total	<u>\$ 113,473</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 – FUND BALANCES:

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Revolving cash	\$ 90,000	\$	\$	\$ 90,000
Inventory	114,364			114,364
Prepaid expenditures	3,897			3,897
Total Nonspendable	<u>208,261</u>	<u>-</u>	<u>-</u>	<u>208,261</u>
Restricted				
Legally restricted programs	7,814,208		12,460	7,826,668
Debt service			6,169,291	6,169,291
Capital projects		<u>31,559,958</u>	<u>3,714,563</u>	<u>35,274,521</u>
Total Restricted	<u>7,814,208</u>	<u>31,559,958</u>	<u>9,896,314</u>	<u>49,270,480</u>
Assigned				
Capital projects			<u>59,995</u>	<u>59,995</u>
Total Assigned	<u>-</u>	<u>-</u>	<u>59,995</u>	<u>59,995</u>
Unassigned				
Economic uncertainties	7,192,713			7,192,713
Unassigned	<u>20,523,671</u>			<u>20,523,671</u>
Total Unassigned	<u>27,716,384</u>	<u>-</u>	<u>-</u>	<u>27,716,384</u>
Total Fund Balances	<u>\$ 35,738,853</u>	<u>\$ 31,559,958</u>	<u>\$ 9,956,309</u>	<u>\$ 77,255,120</u>

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – OPERATING LEASES:

The District has entered into various operating leases for 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 Ended June 30	Lease Payment
2016	\$ 581,544
2017	581,544
2018	436,166
2019	96,940
	\$ 1,696,194

Current year expenditures for operating leases are \$752,565. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS:

The outstanding general obligation bonded debt of Rialto Unified School District at June 30, 2015 is:

	Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
1999 Series A	6/1/2000	2025	4.75-6.25%	\$ 19,995,038	\$ 5,510,985	\$ -	\$ 673,353	\$ 4,837,632
1999 Series C	5/5/2004	2028	3.00-5.125%	20,000,000	740,000	-	740,000	-
2010 Series A	3/17/2011	2042	7.350%	26,932,187	26,932,187	-	-	26,932,187
2010 Series B	3/17/2011	2027	5.280 - 6.911%	9,695,000	9,695,000	-	-	9,695,000
Refunding 2012	5/17/2012	2029	2.00-5.00%	29,865,000	29,165,000	-	885,000	28,280,000
2010 Series 2015	3/26/2015	2027	1.258-4.128%	32,015,000	-	32,015,000	-	32,015,000
					<u>\$72,043,172</u>	<u>\$32,015,000</u>	<u>\$ 2,298,353</u>	<u>\$ 101,759,819</u>

A. 1999 General Obligation Refunding Bonds, Series A

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

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 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 \$1,019,402 and accreted interest paid and included as a deduction in the long-term debt schedule is \$988,488. The balance of accreted interest at June 30, 2015 is \$7,211,180.

B. 1999 General Obligation Bonds, Series C

On May 17, 2012, the District issued the General Obligation Refunding Bonds, Series 2012, in the amount of \$29,865,000, to advance refund \$14,290,000 of the 1999 General Obligation Bonds, Series C. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. The bonds had an original maturity date of August 1, 2028, with interest rates varying from 3.00–5.125 percent. As of June 30, 2015, the principal balance outstanding is \$0.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

C. 2010 General Obligation Bonds, Series 2011A

On March 17, 2011, the District issued capital appreciation bonds and convertible capital appreciation bonds, 2010 General Obligation Bonds, Series 2011A, in order to raise money to finance specific construction, repair and improvement projects and refinance portions of 2006 Certificates of Participation and 1997 Refunding Certificates of Participation. The capital appreciation bonds were issued in the amount of \$10,043,817 with a maturity date of August 1, 2036, and an interest rate of 7.50 percent. The convertible capital appreciation bonds were issued in the amount of \$16,888,370, convertible on August 1, 2026 and a final maturity date of August 1, 2041 at an interest rate of 7.35 percent.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$2,672,675. The balance of accreted interest at June 30, 2015 is \$9,507,361.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of \$2,347,592. The amount will be amortized using the straight-line method. Amortization of \$78,253 was recognized for fiscal year 2014–15.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

D. 2010 General Obligation Bonds, Series 2011B

On March 17, 2011, the District issued the 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000 in order to raise money to finance specific construction. The bonds have a final maturity date of August 1, 2026, with interest rates varying from 5.28 to 6.91 percent. At June 30, 2015, 2010 General Obligation Refunding Bonds, Series 2011B, totaling \$9,695,000 were outstanding.

Proceeds received less than the debt are subtracted to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a discount of \$1,068,488. The amount will be amortized using the straight-line method. Amortization of \$71,233 was recognized for fiscal year 2014–15.

E. General Obligation Refunding Bonds, Series 2012

On May 17, 2012, the District issued the \$29,865,000 General Obligation Refunding Bonds, Series 2012. The bonds have a final maturity that occurs August 1, 2028, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$31,100,676 from the issuance were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C, with the prepayment to occur on August 1, 2013 and August 1, 2014, respectively. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,222,065 remain to be amortized using the straight-line method. At June 30, 2015, the principal balance outstanding on the General Obligation Refunding Bonds, Series 2012 was \$28,280,000.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of \$1,716,066. The amount will be amortized using the straight-line method. Amortization of \$107,255 was recognized for fiscal year 2014–15.

F. 2010 General Obligation Bonds, Series 2015

On March 10, 2015, the District issued the 2010 General Obligation Bonds, Series 2015 in the amount of \$32,015,000 in order to raise money to finance specific construction. The bonds have a final maturity date of August 1, 2027, with interest rates varying from 1.258 to 4.128 percent. At June 30, 2015, 2010 General Obligation Refunding Bonds, Series 2015, totaling \$32,015,000 were outstanding.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

F. General Obligation Refunding Bonds, Series 2012 (continued)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Accreted Interest	Current Interest	Total
2016	\$ 2,288,556	\$ 1,027,218	\$ 2,290,438	\$ 5,606,212
2017	4,616,944	1,065,075	2,373,727	8,055,746
2018	5,316,923	1,099,807	2,261,383	8,678,113
2019	5,583,494	1,131,506	2,136,901	8,851,901
2020	5,866,759	1,175,426	1,987,589	9,029,774
2021-2025	34,534,957	6,273,511	6,526,690	47,335,158
2026-2030	18,374,975	10,810,025	14,047,028	43,232,028
2031-2035	5,994,309	22,414,807	18,825,188	47,234,304
2036-2040	11,184,623	30,110,436	16,018,406	57,313,465
2041-2042	7,998,279	16,261,721	1,834,928	26,094,928
Total	<u>\$ 101,759,819</u>	<u>\$ 91,369,532</u>	<u>\$ 68,302,278</u>	<u>\$ 261,431,629</u>

NOTE 8 – 2006 CERTIFICATES OF PARTICIPATION:

In June 2006, Rialto Unified School District Foundation Corporation issued the 2006 Certificates of Participation in the amount of \$4,770,000. The Certificates have a final maturity date of September 1, 2029, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, were used to finance the cost of acquisition and improvement of certain school facilities and land.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 – 2006 CERTIFICATES OF PARTICIPATION: (continued)

The annual requirement to amortize the 2006 Certificates of Participation, outstanding as of June 30, 2015, is as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 155,000	\$ 133,159	\$ 288,159
2017	165,000	126,856	291,856
2018	170,000	120,156	290,156
2019	175,000	113,256	288,256
2020	185,000	105,941	290,941
2021-2025	1,040,000	404,665	1,444,665
2026-2030	<u>1,285,000</u>	<u>151,166</u>	<u>1,436,166</u>
Total	<u>\$ 3,175,000</u>	<u>\$ 1,155,199</u>	<u>\$ 4,330,199</u>

NOTE 9 – 1997 REFUNDING CERTIFICATES OF PARTICIPATION:

In September 1997, the Rialto Unified School District Facilities Corporation issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – 1997 REFUNDING CERTIFICATES OF PARTICIPATION: (continued)

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 1997 Refunding Certificates of Participation, outstanding as of June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 455,000	\$ 126,165	\$ 581,165
2017	480,000	106,176	586,176
2018	500,000	84,856	584,856
2019	525,000	62,372	587,372
2020	545,000	38,625	583,625
2021	570,000	13,181	583,181
	<u>\$ 3,075,000</u>	<u>\$ 431,375</u>	<u>\$ 3,506,375</u>

NOTE 10 – 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. As of June 30, 2015, future Child Care Facilities revolving fund payments are:

Year Ended June 30,	Total
2016	\$ 26,000
2017	26,000
Total	<u>\$ 52,000</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – 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, 2015, future minimum loan payments are:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 70,000	\$ 284,363	\$ 354,363
2017	70,000	280,226	350,226
2018	75,000	275,924	350,924
2019	80,000	271,225	351,225
2020	80,000	265,989	345,989
2021-2025	475,000	1,240,531	1,715,531
2026-2030	841,976	1,048,806	1,890,782
2031-2035	2,441,821	641,284	3,083,105
2036-2038	968,144	96,018	1,064,162
	<u>\$ 5,101,941</u>	<u>\$ 4,404,366</u>	<u>\$ 9,506,307</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 12 – SUPPLEMENTARY EARLY RETIREMENT PLAN (SERP):

The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 43 employees who retired during the 2008–2009 school year and 143 employees who retired during the 2009–2010 school year, were purchased from United of Pacific Life Insurance Company. As of June 30, 2015, future payments are as follows:

2016	\$ 133,935
2017	<u>133,935</u>
Total	<u>\$ 267,870</u>

NOTE 13 – EARLY RETIREMENT INCENTIVE:

The District adopted an early retirement incentive program where certain eligible employees are provided cash payments starting in 2012–2013, for a period of eight years. 27 employees participated in the plan. As of June 30, 2015, future payments are as follows:

2016	\$ 158,203
2017	158,201
2018	158,197
2019	158,195
2020	<u>77,600</u>
Total	<u>\$ 710,396</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 14 – LONG-TERM DEBT – SCHEDULE OF CHANGES:

A. Governmental Activities

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due in One Year
General Obligation Bonds	\$ 72,043,172	\$ 32,015,000	\$ 2,298,353	\$ 101,759,819	\$ 2,288,556
Capital appreciation interest	14,014,952	3,692,077	988,488	16,718,541	1,027,218
Premium (discount) on general obligation bonds	2,650,299		114,275	2,536,024	
Total general obligation bonds	88,708,423	35,707,077	3,401,116	121,014,384	
2006 Certificates of Participation	3,325,000		150,000	3,175,000	155,000
1997 Refunding Certificates of Participation	3,515,000		440,000	3,075,000	455,000
Child Care Facilities Revolving Fund	78,000		26,000	52,000	26,000
City of Rialto Redevelopment Agency Loan	5,553,169		451,228	5,101,941	70,000
Supplemental Early Retirement Plan	2,029,940		1,762,070	267,870	133,935
Early Retirement Incentive	868,604		158,208	710,396	158,203
Compensated Absences	492,124	188,778		680,902	
Net Pension Liability	* 193,955,686		41,663,763	152,291,923	
Post Employment Healthcare Benefits	7,502,537	1,257,017		8,759,554	
Governmental activities Long Term Debt	<u>\$ 306,028,483</u>	<u>\$ 37,152,872</u>	<u>\$ 48,052,385</u>	<u>\$ 295,128,970</u>	<u>\$ 4,313,912</u>

* with cumulative effect of change in accounting principle applied

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

B. Business-Type Activities

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Net Pension Liability	* \$ 4,165,552	\$	\$ 1,292,273	\$ 2,873,279
Business type activities Long Term Debt	<u>\$ 4,165,552</u>	<u>\$</u>	<u>\$ 1,292,273</u>	<u>\$ 2,873,279</u>

* with cumulative effect of change in accounting principle applied

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 15 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2015 is shown below.

A. Governmental Activities

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not depreciated:				
Land	\$ 39,752,485	\$	\$	\$ 39,752,485
Construction in progress	<u>30,464,424</u>	<u>12,586,128</u>	<u>27,960,899</u>	<u>15,089,653</u>
Total of capital assets not depreciated	<u>70,216,909</u>	<u>12,586,128</u>	<u>27,960,899</u>	<u>54,842,138</u>
Capital assets depreciated:				
Buildings and improvements	375,135,867	26,874,380		402,010,247
Equipment	<u>20,621,196</u>	<u>991,345</u>	<u>373,457</u>	<u>21,239,084</u>
Total of capital assets depreciated	<u>395,757,063</u>	<u>27,865,725</u>	<u>373,457</u>	<u>423,249,331</u>
Less accumulated depreciation for:				
Buildings and improvements	(127,177,447)	(13,176,149)		(140,353,596)
Equipment	<u>(14,127,716)</u>	<u>(1,357,908)</u>	<u>(304,990)</u>	<u>(15,180,634)</u>
Total accumulated depreciation	<u>(141,305,163)</u>	<u>(14,534,057)</u>	<u>(304,990)</u>	<u>(155,534,230)</u>
Governmental activities capital assets, net	<u>\$ 324,668,809</u>	<u>\$ 25,917,796</u>	<u>\$ 28,029,366</u>	<u>\$ 322,557,239</u>

B. Business-Type Activities

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Building and improvements	\$ 6,488,991	\$	\$	\$ 6,488,991
Equipment and vehicles	<u>1,877,189</u>	<u>15,917</u>		<u>1,893,106</u>
Totals at historical cost	<u>8,366,180</u>	<u>15,917</u>		<u>8,382,097</u>
Less accumulated depreciation for:				
Building and improvements	(1,808,367)	(317,899)		(2,126,266)
Equipment and vehicles	<u>(1,377,125)</u>	<u>(103,014)</u>		<u>(1,480,139)</u>
Total accumulated depreciation	<u>(3,185,492)</u>	<u>(420,913)</u>	<u>-</u>	<u>(3,606,405)</u>
Business type activities capital assets, net	<u>\$ 5,180,688</u>	<u>\$ (404,996)</u>	<u>\$ -</u>	<u>\$ 4,775,692</u>

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – 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, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources and a deferred outflow of resources for each of the retirement plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS - STRP	\$ 118,042,740	\$ 9,293,881	\$ 29,067,800	\$ 10,190,900
CalPERS - Schools Pool	37,122,462	4,216,681	15,213,800	2,451,806
Totals	<u>\$ 155,165,202</u>	<u>\$ 13,510,562</u>	<u>\$ 44,281,600</u>	<u>\$ 12,642,706</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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits Provided

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

The District contributes to the STRP Defined Benefit Program and the Defined Benefit Supplement Program.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program and Supplement Program</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were \$9,293,881.

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

At June 30, 2015, 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:

District proportionate share of net pension liability	\$ 118,042,740
State's proportionate share of the net pension liability associated with the District	71,280,019
Total	<u>\$ 189,322,759</u>

The net pension liability was measured as of June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District’s proportion was 0.2020%.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

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

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

For the year ended June 30, 2015, the District recognized pension expense of \$10,190,900 and revenue of \$6,153,767 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,293,881	\$
Net differences between projected and actual earnings on plan investments		29,067,800
Total	\$ 9,293,881	\$ 29,067,800

The deferred outflow 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, 2016. The deferred inflow of resources will be amortized over a closed 5-year period and will be recognized in pension expense as follows:

Year Ended	
June 30	Amortization
2016	\$ 7,266,950
2017	7,266,950
2018	7,266,950
2019	7,266,950
	\$29,067,800

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

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

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, 2013, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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 expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 183,997,760
Current discount rate (7.60%)	118,042,740
1% increase	63,048,240

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

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

Plan Fiduciary Net Position

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

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided (continued)

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2015 are presented above and the total District contributions were \$4,216,681.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$37,122,462. The net pension liability was measured as of June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.3270%.

For the year ended June 30, 2015, the District recognized pension expense of \$2,451,806. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,216,681	\$
Change in proportion		2,458,106
Net differences between projected and actual earnings on plan investments		12,755,694
Total	\$ 4,216,681	\$ 15,213,800

The deferred outflow 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, 2016. The deferred inflow of resources will be amortized over closed periods ranging from 3.9 to 5 years and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 4,036,546
2017	4,036,546
2018	3,951,784
2019	3,188,924
	\$ 15,213,800

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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, 2013, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

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:

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

Actuarial Methods and Assumptions (continued)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 65,121,272
Current discount rate (7.50%)	37,122,462
1% increase (8.50%)	13,726,633

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 – EMPLOYEE RETIREMENT PLANS: (continued)

Plan Fiduciary Net Position

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

NOTE 17 – POSTEMPLOYMENT 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 196 retirees currently receiving benefits, six terminated plan members entitled to, but not yet receiving benefits, and 2021 active Plan members.

Funding Policy

The contribution requirement of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go basis financing requirements. For fiscal year ended 2015, the District contributed \$2,326,963 to the plan.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 17 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial 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 required contributions	\$3,717,751
Interest on net OPEB obligation	300,101
Adjustment to annual required contribution	<u>(433,872)</u>
Annual OPEB cost (expense)	3,583,980
Contributions made	<u>(2,326,963)</u>
Increase in net OPEB obligation	1,257,017
Net OPEB obligation - beginning of year	<u>7,502,537</u>
Net OPEB obligation - end of year	<u><u>\$ 8,759,554</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 17 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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 2015 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 3,606,261	87.7%	\$ 6,693,874
6/30/2014	3,598,399	77.5%	7,502,537
6/30/2015	3,583,980	64.9%	8,759,554

Funding Status and Funding Progress

As of February 1, 2013, 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 \$32,656,090. The covered payroll (annual payroll of active employees covered by the plan) was \$130,534,497 and the ratio of the UAAL to the covered payroll was 25%.

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 17 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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, 2013 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 6 to 8 percent over the next several years. 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. The remaining amortization period will expire on June 30, 2034.

NOTE 18 – JOINT POWERS AGREEMENTS:

The Rialto Unified School District participates in three joint powers agreement (JPA) entities, Schools Excess Liability Fund (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 Rialto Unified School 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 Rialto Unified School District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 18 – JOINT POWERS AGREEMENTS: (continued)

Condensed financial information for the year ended June 30, 2015 is as follows:

	SELF (Unaudited) <u>June 30, 2015</u>	PIPS (Unaudited) <u>June 30, 2015</u>	SoCal ReLiEF (Unaudited) <u>June 30, 2014</u>
Assets	\$154,727,271	\$109,911,317	\$ 51,710,199
Liabilities	<u>122,637,079</u>	<u>99,473,185</u>	<u>38,808,629</u>
Fund Balance	<u>\$ 32,090,192</u>	<u>\$ 10,438,132</u>	<u>\$ 12,901,570</u>
Total Revenues	\$ 11,968,752	\$236,319,886	\$ 17,316,994
Total Expenditures	<u>23,063,637</u>	<u>237,952,641</u>	<u>26,841,630</u>
Net Increase (decrease) in Fund Balance	<u>\$ (11,094,885)</u>	<u>\$ (1,632,755)</u>	<u>\$ (9,524,636)</u>

NOTE 19 – DEFICIT FUND BALANCE:

The Carter High School Associated Student Body Fund ended the year with \$(2,425) deficit spending and a \$(46,215) deficit unrestricted fund balance.

NOTE 20 – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

The beginning net position of the government-wide and the proprietary fund financial statements have been decreased by \$182,915,556 and \$3,859,795, respectively, to recognize the beginning balance of the net pension liability and deferred outflow of resources resulting from the implementation of GASB Statements No. 68 and No. 71. Beginning net position was not restated for the effect of deferred inflows of resources as the amount was not practical to determine.

The effect of this implementation has resulted in a negative unrestricted net position balance at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 21 – COMMITMENTS AND CONTINGENCIES:

A. 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.

B. 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.

C. 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.

D. Purchase Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$4,200,000. Projects will be funded through Bond Proceeds, Capital Facilities Funds and General Funds.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

**NOTE 22 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2015, 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. 72 – Fair Value Measurement and Application

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015–16.

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

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non–employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension–related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015–16 except those provisions that address employers and governmental non–employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016–17.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE 22 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

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

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

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

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

Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015–16.

Statement No. 77 – Tax Abatement Disclosures

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

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts - General Fund		Actual Amounts
	Original	Final	General Fund
Revenues			
Local control funding formula sources:			
State apportionments	\$ 187,703,722	\$ 198,594,152	\$ 184,533,441
Local sources	9,171,234	-	14,909,742
Total local control funding formula sources	196,874,956	198,594,152	199,443,183
Federal sources	13,925,867	17,712,451	13,745,972
Other state sources	11,607,439	20,934,710	20,898,201
Other local sources	12,393,209	16,297,442	15,380,025
Total Revenues	234,801,471	253,538,755	249,467,381
Expenditures			
Certificated salaries	110,894,575	109,509,967	107,853,803
Classified salaries	35,222,048	35,039,884	34,646,521
Employee benefits	51,717,853	56,703,883	55,345,468
Books and supplies	11,032,869	13,240,946	11,629,939
Services and other operating expenditures	28,235,301	33,190,074	26,538,927
Capital outlay	1,840,348	4,427,089	2,314,369
Other Outgo	2,557,707	1,250,099	1,314,591
Total Expenditures	241,500,701	253,361,942	239,643,618
Excess (Deficiency) of revenues over expenditures	(6,699,230)	176,813	9,823,763
Other Financing Uses			
Interfund transfers out	(300,027)	(376,821)	(113,473)
Total Other Financing Uses	(300,027)	(376,821)	(113,473)
Net change in fund balance	\$ (6,999,257)	\$ (200,008)	9,710,290
Fund Balance - Beginning of Year, as Originally Stated			26,028,563
Fund Balance - End of Year			\$ 35,738,853

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, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Projected Unit Credit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2/1/2009	\$ -	\$ 18,601,302	\$ 18,601,302	0%	\$ 141,520,947	13%
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%

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
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.2020%
District's proportionate share of the net pension liability (asset)	\$118,042,470
State's proportionate share of the net pension liability (asset) associated with the District	<u>71,280,019</u>
Total	<u>\$189,322,489</u>
District's covered-employee payroll	\$100 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.04%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

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

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.3270%
District's proportionate share of the net pension liability (asset)	<u>\$37,122,462</u>
District's covered-employee payroll	\$34 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	109.00%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

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.

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
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 9,293,881
Contributions in relation to the contractually required contribution	9,293,881
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$106 Million
Contributions as a percentage of covered- employee payroll	8.88%

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
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	\$ 4,216,681
Contributions in relation to the contractually required contribution	4,216,681
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$36 Million
Contributions as a percentage of covered- employee payroll	11.771%

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 REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

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).

B. 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.

C. Schedules of District's Proportionate Share of the Net Pension Liability -- STRP and CalPERS

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.

D. Schedules of District Contributions – STRP and CalPERS

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 are no excess as of expenditures over appropriations, by major object accounts, in the General Fund.

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2015

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.

BOARD OF EDUCATION

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

DISTRICT ADMINISTRATORS

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

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2015**

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 reporting to the state for the fiscal year ended June 30, 2015 are as follows:

	Revised Second Period	Annual
Grades transitional kindergarten through third		
Regular ADA	7,629	7,611
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	4	4
Total grades transitional kindergarten through third ADA	7,635	7,617
Grades four through six		
Regular ADA	5,841	5,815
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	6	6
Extended year special education - nonpublic, nonsectarian schools	1	1
Total grades four through six ADA	5,849	5,823
Grades seven and eight		
Regular ADA	3,973	3,952
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	6	6
Extended year special education - nonpublic, nonsectarian schools		
Community day school		
Total grades seven and eight ADA	3,980	3,959
Grades nine through twelve		
Regular ADA	7,683	7,602
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	21	18
Extended year special education - nonpublic, nonsectarian schools	2	2
Community day school		
Total grades nine through twelve ADA	7,707	7,623
Total ADA	25,171	25,022

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Fiscal Year Ended June 30, 2015

<u>Grade Level</u>	<u>2014-15 Minutes</u>		<u>Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>			
Kindergarten	36,000	35,000	36,180	180	In Compliance
Grade 1	50,400	49,000	50,902	180	In Compliance
Grade 2	50,400	49,000	50,902	180	In Compliance
Grade 3	50,400	49,000	50,902	180	In Compliance
Grade 4	54,000	52,500	54,290	180	In Compliance
Grade 5	54,000	52,500	54,290	180	In Compliance
Grade 6	54,000	52,500	62,187	180	In Compliance
Grade 7	54,000	52,500	62,187	180	In Compliance
Grade 8	54,000	52,500	62,187	180	In Compliance
Grade 9	64,800	63,000	65,532	180	In Compliance
Grade 10	64,800	63,000	65,532	180	In Compliance
Grade 11	64,800	63,000	65,532	180	In Compliance
Grade 12	64,800	63,000	65,532	180	In Compliance

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015**

	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Programs From the California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	\$ 9,426,480
Especially Needy Breakfast Program	10.553	13526	2,837,815
Meal Supplements	10.553	(1)	284,364
Summer Food Service Program	10.559	13396	215,197
Commodities	10.555	13396	615,027
Total Child Nutrition Cluster			<u>13,378,883</u>
 Forest Reserve Funds	 10.665	 10044	 <u>16,034</u>
Total U.S. Department of Agriculture			<u>13,394,917</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Programs From the California Department of Education:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	6,500,636
Title I Part G, Advance Placement Test Fee Reimbursement Program	84.330	14831	44,326
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	971,237
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	457,792
Title III, Limited English Proficient Student Program	84.365	14346	750,234
Special Education Cluster:			
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	467
IDEA Preschool Staff Development, Part B, Age 3-4-5	84.173	13430	59,608
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	3,775,698
IDEA Preschool Local Entitlement	84.027A	13682	112,943
IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	296,223
Subtotal Special Education Cluster:			<u>4,244,939</u>
Carl D. Perkins Career and Technical Education, Secondary	84.048	14894	181,292
Pass-Through Programs From California State University, San Bernardino:			
California State Gear Up Program	84.334A	10088	2,031
Total U.S. Department of Education			<u>13,152,487</u>

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2015

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Pass-Through Programs From the California Department of Education:			
Junior Reserve Officers' Training Corps	12.000	(1)	\$ 204,205
Total U.S. Department of Defense			<u>204,205</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Programs From the California Department of Health Services:			
Federal Child Care, Center-Based	93.575	15136	62,077
Medi-Cal Billing Option	93.778	10013	<u>182,090</u>
Total U.S. Department of Health and Human Services			<u>244,167</u>
Total Federal Program Expenditures			<u>\$ 26,995,776</u>
Reconciliation to Federal Revenue:			
Total Federal Program Expenditures			\$ 26,995,776
Revenue in excess of expenditures related to Federal Entitlement Program			
Medi-Cal Billing Option			<u>191,156</u>
Total Federal Program Revenue			<u>\$ 27,186,932</u>
Governmental Funds Federal Revenue			\$ 13,808,049
Proprietary Funds Federal Revenue			<u>13,378,883</u>
Total Federal Program Revenue			<u>\$ 27,186,932</u>

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

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$615,027 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Years Ended

	2016 (Budgeted)		2015		2014 (2)		2013 (1)	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue:								
Local control funding formula sources ²	\$ 231,833,055	81.5	\$ 199,443,183	83.2	\$ 171,040,067	77.3	\$ 137,956,739	65.6
Federal sources	14,772,455	5.2	13,745,972	5.7	13,049,931	5.9	14,340,585	6.8
Other state sources ²	24,855,912	8.7	20,898,201	8.7	22,914,833	10.3	38,799,741	18.5
Other local sources	11,006,577	3.9	15,380,025	6.4	13,004,031	5.9	14,731,915	7.0
Interfund transfers							2,385	-
Total revenues	<u>282,467,999</u>	<u>99.3</u>	<u>249,467,381</u>	<u>104.0</u>	<u>220,008,862</u>	<u>99.4</u>	<u>205,831,365</u>	<u>97.9</u>
Expenditures:								
Certificated salaries	120,636,881	42.4	107,853,803	45.0	101,289,027	45.8	97,275,608	46.3
Classified salaries	37,962,343	13.3	34,646,521	14.5	33,000,393	14.9	33,475,397	15.9
Employee benefits	57,072,210	20.0	55,345,468	23.1	48,035,607	21.7	45,428,986	21.6
Books and supplies	10,810,186	3.8	11,629,939	4.8	8,103,456	3.7	7,617,680	3.6
Services and other operating expenditures	41,982,304	14.8	26,538,927	11.1	24,360,058	11.0	23,923,246	11.4
Capital outlay	12,956,007	4.6	2,314,369	1.0	3,613,183	1.6	2,018,089	1.0
Other outgo	2,730,324	1.0	1,314,591	0.5	2,334,360	1.1	493,345	0.2
Interfund transfers	300,000.00	0.1	113,473	-	508,204	0.2	24,452	-
Total Expenditures	<u>284,450,255</u>	<u>100.0</u>	<u>239,757,091</u>	<u>100.0</u>	<u>221,244,288</u>	<u>100.0</u>	<u>210,256,803</u>	<u>100.0</u>
Change in Fund Balance	<u>(1,982,256)</u>	<u>(0.7)</u>	<u>9,710,290</u>	<u>4.1</u>	<u>(1,235,426)</u>	<u>(0.6)</u>	<u>(4,425,438)</u>	<u>(2.1)</u>
Adjustment for restatement					<u>(1,058,985)</u>			
Ending fund balance	<u>\$ 33,756,597</u>	<u>11.9</u>	<u>\$ 35,738,853</u>	<u>14.9</u>	<u>\$ 26,028,563</u>	<u>11.8</u>	<u>\$ 28,322,974</u>	<u>13.5</u>
Available reserve balance	<u>\$ 27,716,385</u>	<u>9.7</u>	<u>\$ 27,716,384</u>	<u>11.6</u>	<u>\$ 14,350,429</u>	<u>6.5</u>	<u>\$ 17,858,117</u>	<u>8.5</u>
Recommended reserve level		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>
Average daily attendance (Second period)	<u>25,041</u>		<u>25,171</u>		<u>25,524</u>		<u>25,582</u>	
Total long-term debt	<u>\$ 290,815,058</u>		<u>\$ 295,128,970</u>		<u>\$ 112,072,797</u>		<u>\$ 114,617,545</u>	³

IMPORTANT NOTES:

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

All percentages are of total expenditures.

Average daily attendance excludes Adult Education and ROP.

The 2016 budget is the original budget adopted on June 24, 2015.

¹ - 2013 was performed by another audit firm.

² - In 2013/14 the state changed its primary funding method from revenue limit to local control funding formula, which combined the previous revenue limit and other state funding sources into the local control funding formula.

³ - The beginning balance has been restated to remove the deferred charge on refunding in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Fiscal Year Ended June 30, 2015

Rialto Unified School District is not the granting agency for any Charter Schools.

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND

	<u>Nutrition Services</u>
June 30, 2015 Annual Financial and Budget Report Fund Balances	\$19,358,360
 Adjustments and Reclassifications:	
Increase in Net Position	
Beginning Balance of Depreciable Assets, Net	5,180,688
Current Year Change in Depreciable Assets, Net	(404,996)
Beginning Balance of Net Pension Liability (NPL)	(4,165,552)
Beginning Balance Deferred Outflows Related to Pension	305,757
Net Effect of Changes in NPL, Pension Expense and Deferred Inflows/Outflows	<u>141,877</u> 1,057,774
 June 30, 2015 Audited Financial Statement Fund Balances	 <u>\$20,416,134</u>

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES:

A. 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.

B. Schedule of Instructional Time

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.

The District met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

C. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

D. Schedule of Financial Trends and Analysis

The *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance 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.

E. Schedule of Charter Schools

The *2014-15 Guide for Annual Audits of K-12 Local Educational 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.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES: (continued)

F. 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

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<u>Assets</u>						
Cash in county treasury	\$ 120,178	\$ 2,844,518	\$ 2,034,301	\$ 161,787	\$ 6,169,291	\$ 11,330,075
Accounts receivable:						
Federal and state governments	186,652					186,652
Miscellaneous	193,972	30,776	2,938	371		228,057
Due from other funds	107,024					107,024
Total Assets	<u>\$ 607,826</u>	<u>\$ 2,875,294</u>	<u>\$ 2,037,239</u>	<u>\$ 162,158</u>	<u>\$ 6,169,291</u>	<u>\$ 11,851,808</u>
<u>Liabilities and Fund Balance</u>						
Liabilities						
Accounts payable	\$ 126,668	\$ 471,959	\$ 726,011	\$ 102,163		\$ 1,426,801
Due to other funds	468,698					468,698
Total Liabilities	<u>595,366</u>	<u>471,959</u>	<u>726,011</u>	<u>102,163</u>	<u>-</u>	<u>1,895,499</u>
Fund Balance						
Restricted	12,460	2,403,335	1,311,228		6,169,291	9,896,314
Assigned				59,995		59,995
Total Fund Balance	<u>12,460</u>	<u>2,403,335</u>	<u>1,311,228</u>	<u>59,995</u>	<u>6,169,291</u>	<u>9,956,309</u>
Total Liabilities and Fund Balance	<u>\$ 607,826</u>	<u>\$ 2,875,294</u>	<u>\$ 2,037,239</u>	<u>\$ 162,158</u>	<u>\$ 6,169,291</u>	<u>\$ 11,851,808</u>

See the accompanying notes to the optional supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	\$ 62,077	\$	\$	\$	\$	\$ 62,077
Other state sources	2,767,275		5,365,306		59,985	8,192,566
Local sources	<u>881,587</u>	<u>2,860,655</u>	<u>15,197</u>	<u>57,230</u>	<u>5,245,871</u>	<u>9,060,540</u>
Total Revenues	<u>3,710,939</u>	<u>2,860,655</u>	<u>5,380,503</u>	<u>57,230</u>	<u>5,305,856</u>	<u>17,315,183</u>
Expenditures						
Instruction	2,502,929					2,502,929
Instruction-related services	807,368					807,368
Pupil services	54,389					54,389
General administration	252,087					252,087
Plant services	203,725	3,158,022	5,184,356	399,389		8,945,492
Debt service	<u>26,000</u>				<u>4,888,529</u>	<u>4,914,529</u>
Total Expenditures	<u>3,846,498</u>	<u>3,158,022</u>	<u>5,184,356</u>	<u>399,389</u>	<u>4,888,529</u>	<u>17,476,794</u>
Excess (deficiency) of revenues over expenditures	<u>(135,559)</u>	<u>(297,367)</u>	<u>196,147</u>	<u>(342,159)</u>	<u>417,327</u>	<u>(161,611)</u>
Other Financing Sources						
Interfund transfers in	<u>107,024</u>					<u>107,024</u>
Total Other Financing Sources	<u>107,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,024</u>
Net change in fund balance	(28,535)	(297,367)	196,147	(342,159)	417,327	(54,587)
Fund Balance - Beginning of Year	<u>40,995</u>	<u>2,700,702</u>	<u>1,115,081</u>	<u>402,154</u>	<u>5,751,964</u>	<u>10,010,896</u>
Fund Balance - End of Year	<u>\$ 12,460</u>	<u>\$ 2,403,335</u>	<u>\$ 1,311,228</u>	<u>\$ 59,995</u>	<u>\$ 6,169,291</u>	<u>\$ 9,956,309</u>

See the accompanying notes to the optional supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

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 REPORTS



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

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

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2015.

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.

**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***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The finding reference numbers are 2015-001, 2015-002 and 2015-003.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 4, 2015



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

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

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) Circular A-133 *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, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

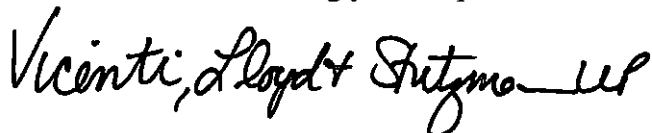
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vicenti, Lloyd & Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 4, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Rialto Unified School District's (the District's) compliance with the types of compliance requirements described in the *2014–15 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, 2015. The District's State compliance requirements are identified in the table below.

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 *2014–15 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:

<u>Description</u>	<u>Procedures Performed</u>
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	Yes
Continuation education	Yes
Instructional time	Yes
Instructional materials	Yes
Ratio of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Not applicable
GANN limit calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Regional Occupational Centers or Programs maintenance of effort	Not applicable
Adult Education maintenance of effort	Not applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	No ¹
Mode of instruction	No ¹
Nonclassroom-based instruction/independent study	No ¹
Determination of funding for nonclassroom-based instruction	No ¹
Annual instructional minutes – classroom based	No ¹
Charter School Facility Grant Program	No ¹

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

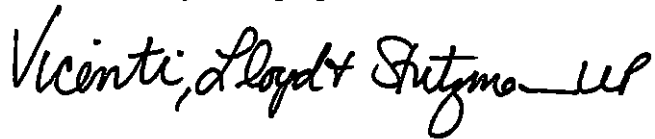
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Rialto Unified School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

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 *2014-15 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.

A handwritten signature in black ink that reads "Vicenti, Lloyd & Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 4, 2015

FINDINGS AND RECOMMENDATIONS

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2015

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section .510(a) Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 809,873

Auditee qualified as low-risk auditee? X Yes No

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2015

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

<u>Five Digit Code</u>	<u>Finding Types</u>
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

Note: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The district response that follows the finding is the District's corrective action plan.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2015

FINDING 2015-001 – NUTRITION SERVICES **30000**
FUND STRUCTURE

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

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

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

Questioned Costs: No specific amounts known to be misrepresented.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2015

FINDING 2015-001 – NUTRITION SERVICES **30000**
FUND STRUCTURE
(continued)

Recommendation:

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

District Response: The District established a Fund 61 Cafeteria Enterprise Fund with Board approval on September 9, 2015. The establishment of this fund will allow for the accounting of proprietary activity inclusive of capital assets net of depreciation and long-term debt.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2015

FINDING 2015-002 – SEGREGATION OF DUTIES – **30000**
JOURNAL ENTRY REVIEW

Finding: Due to a vacancy in the Assistant Superintendent Business Services Office, there was not consistent evidence of segregation of duties over journal entry review. During our testing of journal entries, it was noted that the Director of Fiscal Services and the Accounts Payable Specialist are creating and approving most or all of their own journal entries.

Questioned Cost: None identified

Recommendation: We recommend that in order to maintain controls over the journal entry process, there should be segregation of duties for creating and approving journal entries to reduce the risk of errors or fraud. An example of this includes the Director of Fiscal Services reviewing the Accounts Payable Specialist's journal entries, and vice-versa. The District should develop written procedures that address all different types of entries that include processes for input, documentation, approval and filing. Additionally, there could be a higher-level review for certain types of entries that require a second signature from the Assistant Superintendent of Business.

District Response: The Sr. Director of Fiscal Services will manually approve all journal entries prepared by the Accounting Specialist. The Associate Superintendent, Business Services will manually approve all journal entries prepared by the Sr. Director of Fiscal Services.

FINDING 2015-003 – FIXED ASSETS: PHYSICAL INVENTORY **20000**

Finding: Through inquiry of management, it was stated that the last physical inventory was completed by American Appraisal in the fiscal year 2012-13. Equipment should have a physical inventory completed every two years including a reconciliation to the fixed asset listing.

Questioned Cost: No specific amounts known to be misrepresented.

Recommendation: We recommend that Rialto arrange for a physical observation of equipment to be performed as soon as practical to become compliant in this area.

District Response: The District will establish procedures to perform an annual physical inventory of all fixed assets. A physical inventory will be performed in the fiscal year 2015-16 and after.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2015

There were no findings and questioned costs related to federal awards for the year ended June 30, 2015.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2015

There were no findings and questioned costs related to state awards for the year ended June 30, 2015.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-001 – ANTI-FRAUD PROGRAM

30000

Observation: In accordance with the auditing standard related to our consideration of fraud, we are required to assess the District's anti-fraud program. Although the District has many excellent processes and procedures in place, we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the published recommendations issued by the American Institute of Certified Public Accountants.

Recommendations: The District should consider the following:

1. Consider revisiting the board adopted code of ethics last revised July 28, 1999 to include a fraud policy. In addition, part of the policy should include a mechanism to report any fraud concerns anonymously. Employees should be notified annually about the code of ethics and how to report fraud concerns.
2. Consider integrating ethics into the training program for Board members and employees. Preferably the training would include information to increase awareness, facilitate individual understanding of fraud red flags, and the proper procedures to report any suspicions they have.
3. Ensure employees understand their responsibility to communicate matters of actual or suspected fraud and how to communicate such matters. Employees should complete a confirmation of this understanding annually

Questioned Costs: Not applicable

Current Status: Implemented.

RIALTO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

FINDING 2014-002 – NUTRITION SERVICES **30000**
INTERNAL CONTROLS

Finding: We noted a lack of internal controls over the accounting at the Nutrition Services business office. For proper internal controls and monitoring of records posted, management reports should be reviewed and analyzed on a regular basis. These processes were not in place during the year ending June 30, 2014. Key reports and activities include budget to actual analysis, journal entry review and approval and analysis of the voided meals and bulk adds reports. These reports will assist management with monitoring costs and overall performance while providing the oversight necessary to better protect against fraud.

Cause: The situation was caused by turnover in Nutrition Services personnel and the underutilization of the computerized financial and meal tracking system. Current personnel were unaware of best practices and were unaware of the capabilities of and reports available in the office and eTriton modules.

Questioned Costs: No specific amounts known to be misrepresented.

Recommendation: Nutrition Services personnel have since provided the reports mentioned above for the periods requested. However, we recommend the following:

- Immediately begin a routine review of budget to actual performance;
- Review and identify potential misstatements or misappropriation of District assets through analysis of management reports. Elements to review should include, but are not limited to:
 - Excessive voids with no approvals;
 - Bulk meal adds with no documentation or other support;
 - Journal entries with no approvals or completed outside normal business hours;
 - Regular budget overruns with no explanation.

Current Status: Implemented.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

**FINDING 2014-003 – SEGREGATION OF DUTIES –
DECENTRALIZED CASH COLLECTIONS**

30000

Finding: There is a lack of segregation of duties over cash collections for Adult Education, and developer fees. Our testing identified that the functions of collection and reconciliation are handled by the same individual at each of these locations. At Adult Education, the collection of fees and reconciliation to registration forms are handled by the same individual. Developer fees are collected and the preparation of the certificate of compliance is handled by the same individual. Each of these situations increase the risk of errors and potential misappropriations of deposits being undetected.

Questioned Cost: None identified

Recommendation: If possible, we recommend that the collection of cash be centralized at the District office. If collections are to continue at other locations, we recommend that cash collection procedures are revised to include more than one person. To better protect District assets, the duties of custody, recording and reconciliation of cash receipts should be segregated. At a minimum, different individuals should collect cash and reconcile the bank statement or other supporting documents; this will reduce the possibility of error or theft of revenues intended for the District and protects employees involved in the collection of cash.

Current Status: Implemented.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-004 – ASSOCIATED STUDENT BODY 30000
FUND INTERNAL CONTROLS

Finding: We noted several areas that internal controls over student body fund accounting can be strengthened. The following were identified related to cash disbursements:

- Disbursements were not always included in the student body meeting minutes for detail approval.
- Several disbursements did not have proof of receipt included with the supporting documentation.
- Not all goods were received at a school site address.

The following were identified related to cash receipts:

- Revenue potential forms were not consistently used or completed for ASB fundraisers.
- Cash collections were not consistently supported with subreceipts and were missing dual signatures identifying that two people were present to count the cash.
- Ticket control sheets did not contain two signatures indicating that the tickets were verified and the cash was counted by two people.

At one site, the ASB clerk collects cash, records activity in Peachtree, prepares the deposit slip, and reconciles the bank account. Bank reconciliations are sent to the District office but no one besides the ASB clerk is reviewing the bank statement against original cash receipt documentation.

Questioned Costs: None identified

Recommendation: We recommend that ASB procedures be reviewed, revised and communicated as needed. Areas to be addressed should include:

- Student body meeting minutes should contain documentation of the general meeting discussion and include the approval of the annual budget, all fundraisers and all cash disbursements;
- All goods purchased by the student body should be shipped to a school site or district address;
- All invoices must show proof of receipt prior to payment;
- All fundraisers should be planned, documented and reviewed with the use of revenue potential forms and those forms should be retained for audit and future planning of events.
- All points of cash collection should ensure that cash is counted with two people present and documented with both signing the cash collection sheet, revenue potential sheet, ticket control sheet, student roster or any other document used by the District to note cash collections.

RIALTO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

FINDING 2014-004 – ASSOCIATED STUDENT BODY **30000**
FUND INTERNAL CONTROLS

- The accounting function should be segregated to the fullest extent possible to ensure that no one person has exclusive access to any one function in the collection and recording of student body funds. Where segregation is not possible, prompt review of documentation, processes and events should be instituted and documented.

Current Status: Implemented.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-005 UNDUPLICATED COUNT ERRORS

40000

Criteria: Education code section 42238.02 (b)(2) requires a school district or charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students as identified above.

Condition: During the testing of the unduplicated count it was noted that 7 of the 60 students initially selected for testing did not have the proper NSLP designation on the CalPADS report. These students had an original status of “Free” or “Reduced”, and were changed to “Paid” in the Nutrition Services software after the annual verification process was complete. The District then performed an extensive review of all FRPM applications and determined that a total of 117 students were reported in error. Audit procedures were performed on the District’s additional analysis and the audit confirmed the District’s results. All changes have been submitted for revision.

Effect: The District was not in compliance with Education code section 42238.02 (b)(2). The CalPADS reports contained errors as follows:

Summary of Sites Tested

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Bemis Elementary					
As reported	606	248	621	674	621
Audit adjustments	(4)	-	-	-	(4)
Adjusted	<u>602</u>	<u>248</u>	<u>621</u>	<u>674</u>	<u>617</u>
Boyd Elementary					
As reported	513	256	539	568	539
Audit adjustments	(1)	-	-	-	(1)
Adjusted	<u>512</u>	<u>256</u>	<u>539</u>	<u>568</u>	<u>538</u>
Casey Elementary					
As reported	818	439	840	886	840
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>815</u>	<u>439</u>	<u>840</u>	<u>886</u>	<u>837</u>
Charlotte N. Werner Elementary					
As reported	796	300	820	896	820
Audit adjustments	(2)	-	-	-	(2)
Adjusted	<u>794</u>	<u>300</u>	<u>820</u>	<u>896</u>	<u>818</u>
Dunn Elementary					
As reported	625	309	645	683	645
Audit adjustments	(1)	-	-	-	(1)
Adjusted	<u>624</u>	<u>309</u>	<u>645</u>	<u>683</u>	<u>644</u>

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-005 UNDUPLICATED COUNT ERRORS

40000

(continued)

Summary of Sites Tested (continued)

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Edward Fitzgerald Elementary					
As reported	340	100	369	524	369
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>337</u>	<u>100</u>	<u>369</u>	<u>524</u>	<u>366</u>
Eisenhower Senior High					
As reported	1,919	437	2,017	2,377	2,017
Audit adjustments	(6)	-	-	-	(6)
Adjusted	<u>1,913</u>	<u>437</u>	<u>2,017</u>	<u>2,377</u>	<u>2,011</u>
Elizabeth T. Hughbanks Elementary					
As reported	550	124	563	678	563
Audit adjustments	(9)	-	-	-	(9)
Adjusted	<u>541</u>	<u>124</u>	<u>563</u>	<u>678</u>	<u>554</u>
Ernest Garcia Elementary					
As reported	570	191	594	714	594
Audit adjustments	(5)	-	-	-	(5)
Adjusted	<u>565</u>	<u>191</u>	<u>594</u>	<u>714</u>	<u>589</u>
Ethel Kucera Middle					
As reported	921	192	963	1,223	963
Audit adjustments	(9)	-	-	-	(9)
Adjusted	<u>912</u>	<u>192</u>	<u>963</u>	<u>1,223</u>	<u>954</u>
Frisbie Middle					
As reported	1,109	307	1,146	1,265	1,146
Audit adjustments	(7)	-	-	-	(7)
Adjusted	<u>1,102</u>	<u>307</u>	<u>1,146</u>	<u>1,265</u>	<u>1,139</u>
Georgia Morris Elementary					
As reported	542	270	560	603	560
Audit adjustments	(4)	-	-	-	(4)
Adjusted	<u>538</u>	<u>270</u>	<u>560</u>	<u>603</u>	<u>556</u>
Helen L. Dollahan Elementary					
As reported	561	222	591	657	591
Audit adjustments	(10)	-	-	-	(10)
Adjusted	<u>551</u>	<u>222</u>	<u>591</u>	<u>657</u>	<u>581</u>
Henry Elementary					
As reported	478	205	490	520	490
Audit adjustments	(2)	-	-	-	(2)
Adjusted	<u>476</u>	<u>205</u>	<u>490</u>	<u>520</u>	<u>488</u>
Kelley Elementary					
As reported	631	299	650	696	650
Audit adjustments	(1)	-	-	-	(1)
Adjusted	<u>630</u>	<u>299</u>	<u>650</u>	<u>696</u>	<u>649</u>
Kolb Middle					
As reported	791	148	810	1,031	810
Audit adjustments	(7)	-	-	-	(7)
Adjusted	<u>784</u>	<u>148</u>	<u>810</u>	<u>1,031</u>	<u>803</u>
Morgan Elementary					
As reported	425	113	443	499	443
Audit adjustments	(2)	-	-	-	(2)
Adjusted	<u>423</u>	<u>113</u>	<u>443</u>	<u>499</u>	<u>441</u>
Myers Elementary					
As reported	527	224	563	615	563
Audit adjustments	(2)	-	-	-	(2)
Adjusted	<u>525</u>	<u>224</u>	<u>563</u>	<u>615</u>	<u>561</u>

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-005 UNDUPLICATED COUNT ERRORS
(continued)

40000

Summary of Sites Tested (continued)

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Nancy R. Kordyak Elementary					
As reported	296	75	316	456	316
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>293</u>	<u>75</u>	<u>316</u>	<u>456</u>	<u>313</u>
Nonpublic, Nonsectarian Schools					
As reported	-	6	15	35	15
Audit adjustments	-	-	(4)	-	(4)
Adjusted	<u>-</u>	<u>6</u>	<u>11</u>	<u>35</u>	<u>11</u>
Rialto High					
As reported	2,303	512	2,431	2,960	2,431
Audit adjustments	(7)	-	-	-	(7)
Adjusted	<u>2,296</u>	<u>512</u>	<u>2,431</u>	<u>2,960</u>	<u>2,424</u>
Rialto Middle					
As reported	1,025	255	1,063	1,201	1,063
Audit adjustments	(5)	-	-	-	(5)
Adjusted	<u>1,020</u>	<u>255</u>	<u>1,063</u>	<u>1,201</u>	<u>1,058</u>
Sam V. Curtis Elementary					
As reported	549	258	581	624	581
Audit adjustments	(2)	-	-	-	(2)
Adjusted	<u>547</u>	<u>258</u>	<u>581</u>	<u>624</u>	<u>579</u>
Samuel W. Simpson Elementary					
As reported	598	278	638	733	638
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>595</u>	<u>278</u>	<u>638</u>	<u>733</u>	<u>635</u>
Trapp Elementary					
As reported	358	103	374	476	374
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>355</u>	<u>103</u>	<u>374</u>	<u>476</u>	<u>371</u>
William G. Jehue Middle					
As reported	1,240	305	1,294	1,493	1,294
Audit adjustments	(9)	-	-	-	(9)
Adjusted	<u>1,231</u>	<u>305</u>	<u>1,294</u>	<u>1,493</u>	<u>1,285</u>
Wilmer Amina Carter High					
As reported	1,551	259	1,639	2,411	1,639
Audit adjustments	(3)	-	-	-	(3)
Adjusted	<u>1,548</u>	<u>259</u>	<u>1,639</u>	<u>2,411</u>	<u>1,636</u>
District Wide					
As reported	21,393	6,788	22,407	26,468	22,407
Audit adjustments	(117)	-	-	-	(117)
Adjusted	<u>21,276</u>	<u>6,788</u>	<u>22,407</u>	<u>26,468</u>	<u>22,290</u>

Cause: Lack of guidance from State regarding requirements to update CALPADS data for changes in Student FRPM status.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-005 UNDUPLICATED COUNT ERRORS

40000

(continued)

Questioned Cost: The entire population of students identified as FRPM was tested in order to determine the effect of the error. The reduction in the unduplicated pupil count resulted in questioned costs of \$82,282.

Recommendation: The District should implement procedures that include a process to communicate changes in student FRPM status so the changes can be properly reflected in the CALPADS report.

Current Status: Implemented.