



**RIALTO UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 61 and 62, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wassim J. Nune, Dary & Co., LLP

Rancho Cucamonga, California
December 9, 2011



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

RIALTO UNIFIED SCHOOL DISTRICT

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BUSINESS SERVICES

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Assistant Superintendent
Business Services

This section of Rialto Unified School District's (the District) 2010-2011 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30 2011, with comparative information for June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health is improving* or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$314.1 million for the fiscal year ended June 30, 2011, and \$325.5 million for the fiscal year ended June 30, 2010. Of this amount, \$33.9 million and \$18.5 million were unrestricted for June 30, 2011, and June 30, 2010, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

Table 1

| (Amounts in millions) | Governmental Activities | | Business-Type Activities | | School District Activities | |
|--|-------------------------|-----------------|--------------------------|----------------|----------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | | | |
| Current and other assets | \$ 102.6 | \$ 77.2 | \$ 10.1 | \$ 9.9 | \$ 112.7 | \$ 87.1 |
| Capital assets | 327.2 | 335.0 | 10.7 | 10.1 | 337.9 | 345.1 |
| Total Assets | 429.8 | 412.2 | 20.8 | 20.0 | 450.6 | 432.2 |
| Liabilities | | | | | | |
| Current liabilities | 21.6 | 16.2 | 0.5 | - | 22.1 | 16.2 |
| Long-term obligations | 114.4 | 90.5 | - | - | 114.4 | 90.5 |
| Total Liabilities | 136.0 | 106.7 | 0.5 | - | 136.5 | 106.7 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 254.5 | 264.4 | - | 10.1 | 254.5 | 274.5 |
| Restricted | 25.7 | 32.5 | - | - | 25.7 | 32.5 |
| Unrestricted | 13.6 | 8.6 | 20.3 | 9.9 | 33.9 | 18.5 |
| Total Net Assets | \$ 293.8 | \$ 305.5 | \$ 20.3 | \$ 20.0 | \$ 314.1 | \$ 325.5 |

The \$13.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Changes in Net Assets

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

Table 2

| | (Amounts in millions) | | Governmental Activities | | Business-Type Activities | | School District Activities | |
|-----------------------------|-----------------------|------------------|-------------------------|---------------|--------------------------|------------------|----------------------------|--|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | | |
| Revenues | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 0.2 | \$ 0.4 | \$ 1.4 | \$ 1.6 | \$ 1.6 | \$ 2.0 | | |
| Operating grants | | | | | | | | |
| and contributions | 51.7 | 57.4 | 15.0 | 13.5 | 66.7 | 70.9 | | |
| Capital grants | | | | | | | | |
| and contributions | - | 0.2 | - | - | - | 0.2 | | |
| General revenues: | | | | | | | | |
| Federal and State aid | | | | | | | | |
| not restricted | 151.0 | 138.5 | - | - | 151.0 | 138.5 | | |
| Property taxes | 13.4 | 14.7 | - | - | 13.4 | 14.7 | | |
| Other general revenues | 9.2 | 8.3 | 0.1 | - | 9.3 | 8.3 | | |
| Total Revenues | 225.5 | 219.5 | 16.5 | 15.1 | 242.0 | 234.6 | | |
| Expenses | | | | | | | | |
| Instruction-related | 173.6 | 185.2 | - | - | 173.6 | 185.2 | | |
| Student support services | 16.9 | 16.0 | - | - | 16.9 | 16.0 | | |
| Administration | 14.9 | 13.8 | - | - | 14.9 | 13.8 | | |
| Maintenance and operations | 28.6 | 27.9 | - | - | 28.6 | 27.9 | | |
| Food services | - | - | 14.3 | 13.2 | 14.3 | 13.2 | | |
| Other | 5.1 | 4.2 | - | - | 5.1 | 4.2 | | |
| Total Expenses | 239.1 | 247.1 | 14.3 | 13.2 | 253.4 | 260.3 | | |
| Excess (Deficiency) | (13.6) | (27.6) | 2.2 | 1.9 | (11.4) | (25.7) | | |
| Transfers | 1.9 | - | (1.9) | - | - | - | | |
| Change in Net Assets | \$ (11.7) | \$ (27.6) | \$ 0.3 | \$ 1.9 | \$ (11.4) | \$ (25.7) | | |

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 15, the cost of all of the District's activities this year was \$253.4 million and \$260.3 million for June 30, 2011, and June 30, 2010, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$13.4 million and \$14.7 million for June 30, 2011, and June 30, 2010. The cost was paid by those who benefited from the programs, \$1.6 million and \$2.0 million for June 30, 2011, and June 30, 2010, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$66.8 million and \$71.1 million for June 30, 2011, and June 30, 2010, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$160.3 million and \$146.8 million for June 30, 2011, and June 30, 2010, respectively, in State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - regular program instruction, instruction-related programs, school administration, pupil transportation services, other pupil support services, administration, plant services, and the remaining functional costs. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

| | Total Cost of Services | | Net Cost of Services | |
|--------------------------------|------------------------|-----------------|----------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Instruction | \$ 140.8 | \$ 150.0 | \$ 110.5 | \$ 118.4 |
| Instruction-related activities | 16.9 | 17.9 | 5.8 | 6.0 |
| School administration | 15.9 | 17.3 | 13.6 | 14.6 |
| Home-to-school transportation | 4.0 | 3.9 | 3.0 | 2.1 |
| Other pupil services | 12.9 | 12.1 | 9.4 | 7.7 |
| General administration | 14.9 | 13.8 | 12.6 | 10.6 |
| Plant services | 28.6 | 27.9 | 28.4 | 26.7 |
| Other | 5.1 | 4.2 | 3.9 | 3.0 |
| Total | \$ 239.1 | \$ 247.1 | \$ 187.2 | \$ 189.1 |

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$79 million as of June 30, 2011, which is an increase of \$18.6 million from last year (Table 4).

Table 4

| | Balances and Activity | | | |
|--------------------------------|-----------------------|-----------------|-----------------|----------------|
| | July 1, 2010 | Revenues | Expenditures | June 30, 2011 |
| General Fund | \$ 43.4 | \$ 219.1 | \$ 224.5 | \$ 38.0 |
| Building | - | 29.0 | 2.0 | 27.0 |
| Adult Education | 0.1 | - | 0.1 | - |
| Child Development | 1.4 | 2.9 | 3.5 | 0.8 |
| Deferred Maintenance | 1.9 | - | 1.9 | - |
| Capital Facilities | 3.4 | 0.7 | 2.5 | 1.6 |
| County School Facilities | 5.0 | - | 1.0 | 4.0 |
| Special Reserve Capital Outlay | 0.2 | 2.2 | 0.4 | 2.0 |
| Bond Interest and Redemption | 4.9 | 5.1 | 4.5 | 5.5 |
| COP Debt Service | 0.1 | 1.1 | 1.1 | 0.1 |
| Total | \$ 60.4 | \$ 260.1 | \$ 241.5 | \$ 79.0 |

The primary reasons for these decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$5.4 million to \$38 million. This decrease is due to the decrease in State revenue limit.
- b. Our Building Fund has showed a net increase of approximately \$27 million due to the issuance and receipt of General Obligation Bond Measure Y proceeds.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 29, 2011. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 58.

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, and June 30, 2010, the District had \$337.9 million and \$345.0 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$7.1 million, or two percent, from last year (Table 5).

Table 5

| (Amounts in millions) | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|-----------------|--------------------------|----------------|-----------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land and construction in progress | \$ 44.2 | \$ 63.6 | \$ 1.1 | \$ - | \$ 45.3 | \$ 63.6 |
| Buildings and improvements | 267.0 | 253.2 | 9.1 | 9.6 | 276.1 | 262.8 |
| Furniture and equipment | 16.0 | 18.1 | 0.5 | 0.5 | 16.5 | 18.6 |
| Total | \$ 327.2 | \$ 334.9 | \$ 10.7 | \$ 10.1 | \$ 337.9 | \$ 345.0 |

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

Several capital projects are planned for the 2011-12 year. We anticipate major capital additions to be \$36.3 million for the 2011-12 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Long-Term Obligations

At the end of this year, the District had \$112.5 million in long-term obligations outstanding versus \$90.5 million last year, a slight increase from the previous year.

Table 6

| (Amounts in millions) | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|-------------|-----------------|----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General obligation bonds (financed with property taxes) | \$ 85.1 | \$ 50.9 | \$ - | \$ - | \$ 85.1 | \$ 50.9 |
| Certificates of participation | 6.8 | 14.4 | - | - | 6.8 | 14.4 |
| Child care facilities revolving fund | 0.3 | 0.5 | - | - | 0.3 | 0.5 |
| City of Rialto | 5.8 | 5.9 | - | - | 5.8 | 5.9 |
| Other | 14.5 | 18.8 | - | - | 14.5 | 18.8 |
| Total | \$ 112.5 | \$ 90.5 | \$ - | \$ - | \$ 112.5 | \$ 90.5 |

The District's general obligation bond rating continues to be "A-". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$85.1 million is below the statutorily-imposed limit.

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

**RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2011-12 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Financial

1. 1.81 percent projected student enrollment decline.
2. 2.24 percent Cost of Living Adjustment (COLA) on Revenue Limit and all other Revenues and with a 19.754 percent deficit.
3. Negotiations with unions for salary increases are settled or tentatively settled in 2011-2012.
4. A \$995 increase for health and welfare benefits for each full-time employee.
5. Developer fee collections are based on estimated new housing units to be constructed.

Expenditures are based on the following forecasts:

| | Staffing Ratio | Enrollment |
|----------------------------|----------------|---------------|
| Kindergarten | 32:1 | 2,050 |
| Grades one and two | 32:1 | 4,061 |
| Grades three through five | 32:1 | 6,057 |
| Grades six through eight | 28:1 | 6,286 |
| Grades nine through twelve | 28:1 | <u>8,291</u> |
| Total | | <u>26,745</u> |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Rialto Unified School District, 182 E. Walnut Avenue, Rialto, California, 92376, or e-mail at ccridelich@rialto.k12.ca.us.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2011

| | Governmental | | Business-Type | | Total |
|---|----------------|--|---------------|--|----------------|
| | Activities | | Activities | | |
| ASSETS | | | | | |
| Deposits and investments | \$ 47,452,651 | | \$ 7,182,937 | | \$ 54,635,588 |
| Receivables | 49,900,762 | | 2,535,481 | | 52,436,243 |
| Internal balances | 525,076 | | (525,076) | | - |
| Prepaid expenses | 2,408,599 | | - | | 2,408,599 |
| Stores inventories | 70,893 | | 404,893 | | 475,786 |
| Deferred cost on issuance | 2,170,542 | | - | | 2,170,542 |
| Capital assets | | | | | |
| Land and work in process | 44,157,781 | | 1,135,603 | | 45,293,384 |
| Other capital assets | 413,795,077 | | 13,891,001 | | 427,686,078 |
| Less: accumulated depreciation | (130,710,890) | | (4,317,232) | | (135,028,122) |
| Total Capital Assets | 327,241,968 | | 10,709,372 | | 337,951,340 |
| Total Assets | 429,770,491 | | 20,307,607 | | 450,078,098 |
| LIABILITIES | | | | | |
| Accounts payable | 15,808,535 | | 2,983 | | 15,811,518 |
| Accrued interest payable | 1,092,112 | | - | | 1,092,112 |
| Deferred revenue | 4,679,785 | | - | | 4,679,785 |
| Long-term obligations | | | | | |
| Current portion of long-term obligations | 5,214,805 | | - | | 5,214,805 |
| Noncurrent portion of long-term obligations | 109,142,683 | | - | | 109,142,683 |
| Total Long-Term Obligations | 114,357,488 | | - | | 114,357,488 |
| Total Liabilities | 135,937,920 | | 2,983 | | 135,940,903 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 254,472,239 | | - | | 254,472,239 |
| Restricted for: | | | | | |
| Debt service | 4,471,503 | | - | | 4,471,503 |
| Capital projects | 7,600,841 | | - | | 7,600,841 |
| Educational programs | 13,706,789 | | - | | 13,706,789 |
| Other activities | - | | 20,304,624 | | 20,304,624 |
| Unrestricted | 13,581,199 | | - | | 13,581,199 |
| Total Net Assets | \$ 293,832,571 | | \$ 20,304,624 | | \$ 314,137,195 |

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues | | |
|---|--------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction | \$ 140,747,998 | \$ 6,711 | \$ 30,173,213 | \$ 50,869 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 14,168,281 | 825 | 11,046,937 | - |
| Instructional library, media, and technology | 2,728,666 | - | 94,918 | - |
| School site administration | 15,948,898 | 28 | 2,391,911 | - |
| Pupil services: | | | | |
| Home-to-school transportation | 4,005,255 | - | 1,001,079 | - |
| All other pupil services | 12,885,155 | - | 3,445,820 | - |
| Administration: | | | | |
| Data processing | 3,522,249 | - | 9,492 | - |
| All other administration | 11,352,525 | 193 | 2,247,989 | - |
| Plant services | 28,066,673 | 40,301 | 188,177 | - |
| Facility acquisition and construction | 547,018 | - | - | - |
| Ancillary services | 14,880 | - | - | - |
| Community services | 13,867 | - | 5,646 | - |
| Enterprise services | 449 | - | - | - |
| Interest on long-term obligations | 4,322,665 | - | - | - |
| Other outgo | 783,023 | 123,566 | 1,071,676 | - |
| Total Governmental Activities | 239,107,602 | 171,624 | 51,676,858 | 50,869 |
| Business-Type Activities | | | | |
| Food services | 14,276,320 | 1,426,634 | 15,036,629 | - |
| Total Business-Type Activities | 14,276,320 | 1,426,634 | 15,036,629 | - |
| General revenues and subventions: | | | | |
| Property taxes, levied for general purposes | | | | |
| Property taxes, levied for debt service | | | | |
| Taxes levied for other specific purposes | | | | |
| Federal and State aid not restricted to specific purposes | | | | |
| Interest and investment earnings | | | | |
| Interagency revenues | | | | |
| Miscellaneous | | | | |
| Subtotal, General Revenues | | | | |
| Excess (Deficiency) of Revenues Over Expenses | | | | |
| Transfers | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning | | | | |
| Net Assets - Ending | | | | |

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

**Net (Expenses) Revenues and
Changes in Net Assets**

| Governmental Activities | Business- | | Total |
|----------------------------|---------------|------------|------------------|
| | Type | Activities | |
| \$ (110,517,205) | \$ - | \$ - | \$ (110,517,205) |
| (3,120,519) | - | - | (3,120,519) |
| (2,633,748) | - | - | (2,633,748) |
| (13,556,959) | - | - | (13,556,959) |
| (3,004,176) | - | - | (3,004,176) |
| (9,439,335) | - | - | (9,439,335) |
| (3,512,757) | - | - | (3,512,757) |
| (9,104,343) | - | - | (9,104,343) |
| (27,838,195) | - | - | (27,838,195) |
| (547,018) | - | - | (547,018) |
| (14,880) | - | - | (14,880) |
| (8,221) | - | - | (8,221) |
| (449) | - | - | (449) |
| (4,322,665) | - | - | (4,322,665) |
| 412,219 | - | - | 412,219 |
| (187,208,251) | - | - | (187,208,251) |
| - | 2,186,943 | - | 2,186,943 |
| - | 2,186,943 | - | 2,186,943 |
| 8,852,749 | - | - | 8,852,749 |
| 4,415,377 | - | - | 4,415,377 |
| 97,342 | - | - | 97,342 |
| 151,029,811 | - | - | 151,029,811 |
| 350,415 | 54,521 | - | 404,936 |
| 1,156,577 | - | - | 1,156,577 |
| 7,712,864 | - | - | 7,712,864 |
| 173,615,135 | 54,521 | - | 173,669,656 |
| (13,593,116) | 2,241,464 | - | (11,351,652) |
| 1,912,000 | (1,912,000) | - | - |
| 175,527,135 | (1,857,479) | - | 173,669,656 |
| (11,681,116) | 329,464 | - | (11,351,652) |
| 305,513,687 | 19,975,160 | - | 325,488,847 |
| \$ 293,832,571 | \$ 20,304,624 | \$ - | \$ 314,137,195 |

RIALTO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

| | General | Building | Non-Major | Total |
|--|----------------------|----------------------|-----------------------|-----------------------|
| | Fund | Funds | Governmental Funds | Governmental Funds |
| ASSETS | | | | |
| Deposits and investments | \$ 13,512,522 | \$ 18,593,852 | \$ 14,987,922 | \$ 47,094,296 |
| Receivables | 49,749,609 | 53,876 | 96,548 | 49,900,033 |
| Due from other funds | 2,567,124 | 10,056,246 | 1,625,528 | 14,248,898 |
| Prepaid expenditures | 2,408,599 | - | - | 2,408,599 |
| Stores inventories | 70,893 | - | - | 70,893 |
| Total Assets | \$ 68,308,747 | \$ 28,703,974 | \$ 16,709,998 | \$ 113,722,719 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 14,847,584 | 293,244 | 667,258 | 15,808,086 |
| Due to other funds | 10,763,286 | 1,354,524 | 2,046,255 | 14,164,065 |
| Deferred revenue | 4,679,785 | - | - | 4,679,785 |
| Total Liabilities | 30,290,655 | 1,647,768 | 2,713,513 | 34,651,936 |
| Fund Balances: | | | | |
| Nonspendable | 2,529,492 | - | - | 2,529,492 |
| Restricted | 12,874,760 | 27,056,206 | 13,996,485 | 53,927,451 |
| Unassigned | 22,613,840 | - | - | 22,613,840 |
| Total Fund Balances | 38,018,092 | 27,056,206 | 13,996,485 | 79,070,783 |
| Total Liabilities and Fund Balances | \$ 68,308,747 | \$ 28,703,974 | \$ 16,709,998 | \$ 113,722,719 |

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

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

| | | |
|--|----------------|-----------------------|
| Total Fund Balance - Governmental Funds | | \$ 79,070,783 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | \$ 457,952,858 | |
| Accumulated depreciation is | (130,710,890) | |
| Net Capital Assets | | 327,241,968 |
| Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but are not recognized in the accrual basis. | | |
| In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. | | 2,170,542 |
| An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. | | |
| The assets and liabilities of the internal service fund are included with governmental activities. | | (1,092,112) |
| | | 798,878 |
| Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | | |
| Long-term obligations at year-end consist of: | | |
| 1999 General Obligation Bonds | (48,513,267) | |
| 2010 General Obligation Bonds | (36,627,187) | |
| 2006 Certificates of Participation | (3,325,000) | |
| 1997 Refunding Certificates of Participation | (3,515,000) | |
| Premium on debt issuances | (2,806,887) | |
| Discount on debt issuances | 1,047,712 | |
| Child Care Facilities Revolving Fund | (286,392) | |
| City of Rialto Redevelopment Agency Loan | (5,799,914) | |
| Supplemental early retirement plan | (7,802,538) | |
| Accumulated vacation (net) | (820,141) | |
| Other postemployment benefits (OPEB) | (5,908,874) | |
| Total Long-Term Obligations | | (114,357,488) |
| Total Net Assets - Governmental Activities | | <u>\$ 293,832,571</u> |

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

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

| | General | | Non-Major | | Total |
|--|----------------------|----------------------|----------------------|----------------------|-------|
| | Fund | Fund | Funds | Funds | |
| REVENUES | | | | | |
| Revenue limit sources | \$ 137,984,725 | \$ - | \$ - | \$ 137,984,725 | |
| Federal sources | 22,221,899 | - | 48,138 | 22,270,037 | |
| Other State sources | 42,655,768 | - | 2,956,052 | 45,611,820 | |
| Other local sources | 14,335,681 | 65,547 | 5,243,132 | 19,644,360 | |
| Total Revenues | 217,198,073 | 65,547 | 8,247,322 | 225,510,942 | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 131,959,307 | - | 2,340,853 | 134,300,160 | |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 14,145,847 | - | 137,853 | 14,283,700 | |
| Instructional library, media and technology | 2,747,351 | - | - | 2,747,351 | |
| School site administration | 15,467,696 | - | 621,591 | 16,089,287 | |
| Pupil services: | | | | | |
| Home-to-school transportation | 4,034,737 | - | - | 4,034,737 | |
| All other pupil services | 12,474,764 | - | 45,812 | 12,520,576 | |
| Administration: | | | | | |
| Data processing | 3,566,756 | - | - | 3,566,756 | |
| All other administration | 11,036,701 | - | 162,796 | 11,199,497 | |
| Plant services | 26,537,284 | - | 606,074 | 27,143,358 | |
| Facility acquisition and construction | 1,747,838 | 449,135 | 2,504,114 | 4,701,087 | |
| Community services | 13,980 | - | - | 13,980 | |
| Other outgo | 783,023 | - | - | 783,023 | |
| Debt service | | | | | |
| Principal | - | - | 3,495,966 | 3,495,966 | |
| Interest and other | 3,127 | 1,576,416 | 2,707,104 | 4,286,647 | |
| Total Expenditures | 224,518,411 | 2,025,551 | 12,622,163 | 239,166,125 | |
| Excess (Deficiency) of Revenues Over Expenditures | (7,320,338) | (1,960,004) | (4,374,841) | (13,655,183) | |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 3,492,675 | 56,246 | 4,336,439 | 7,885,360 | |
| Other sources | - | 37,371,801 | 534,490 | 37,906,291 | |
| Transfers out | (1,559,197) | (1,357,524) | (3,496,882) | (6,413,603) | |
| Other uses | - | (7,055,000) | - | (7,055,000) | |
| Net Financing Sources (Uses) | 1,933,478 | 29,015,523 | 1,374,047 | 32,323,048 | |
| NET CHANGE IN FUND BALANCES | (5,386,860) | 27,055,519 | (3,000,794) | 18,667,865 | |
| Fund Balances - Beginning | 43,404,952 | 687 | 16,997,279 | 60,402,918 | |
| Fund Balances - Ending | \$ 38,018,092 | \$ 27,056,206 | \$ 13,996,485 | \$ 79,070,783 | |

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

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

| | |
|--|--------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 18,667,865 |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. | |
| This is the amount by which depreciation exceeds capital outlays in the period. | |
| Capital outlays | \$ 4,394,550 |
| Depreciation expense | (12,089,716) |
| Net Expense Adjustment | <u>(7,695,166)</u> |
| In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were special termination benefits paid in the amount of \$2,058,135. Vacation earned was less than the amounts paid by \$187,359. | |
| Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was more than the annual required contribution. | |
| Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide financial statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: | |
| Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities: | |
| 1999 General Obligation Bonds | 762,050 |
| 2010 General Obligation Bonds | |
| 2006 Certificates of Participation | 2,735,000 |
| 1997 Refunding Certificates of Participation | (36,627,187) |
| Child Care Facilities Revolving Fund | 1,145,000 |
| City of Rialto Redevelopment Agency | 6,395,000 |
| | 197,014 |
| | 78,952 |

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

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)

JUNE 30, 2011

If debt is issued at a discount or a premium in governmental funds, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide financial statements, the premium or discount is amortized as interest over the life of the debt. The difference between the premium/discount recognized in the current period and the amortization for the period is: \$ (1,261,472)

In the Statement of Activities, certain operating expenses - insurance claims are measured by the amounts incurred during the year based upon actuarial assumptions. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The claims liability paid was more than the amounts incurred. 383,164

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation increased by \$14,177 and second, \$801,523 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (815,700)

An internal service fund is used by the District's management to charge the costs of the deductible portion of property and liability claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities. 443,338

Change in Net Assets of Governmental Activities \$ (11,681,116)

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

RIALTO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Business-Type Activities | Governmental Activities - |
|---|-----------------------------|------------------------------|
| | Enterprise Fund | Internal |
| | Nutrition | Service Fund |
| | Services | |
| ASSETS | | |
| Current Assets | | |
| Deposits and investments | \$ 7,182,937 | \$ 358,355 |
| Receivables | 2,535,481 | 729 |
| Due from other funds | - | 440,243 |
| Stores inventories | 404,893 | - |
| Total Current Assets | 10,123,311 | 799,327 |
| Noncurrent Assets | | |
| Capital assets | 15,026,604 | - |
| Less: accumulated depreciation | (4,317,232) | - |
| Total Noncurrent Assets | 10,709,372 | - |
| Total Assets | 20,832,683 | 799,327 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 2,983 | 449 |
| Due to other funds | 525,076 | - |
| Total Current Liabilities | 528,059 | 449 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 9,573,769 | - |
| Restricted | 10,730,855 | 798,878 |
| Total Net Assets | 20,304,624 | 798,878 |

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

RIALTO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

| | Business-Type Activities | Governmental Activities - Internal Service Fund |
|---|-----------------------------|--|
| OPERATING REVENUES | | |
| Local and intermediate sources | \$ 1,426,634 | \$ - |
| Total Operating Revenues | 1,426,634 | - |
| OPERATING EXPENSES | | |
| Payroll costs | 4,639,090 | - |
| Supplies and materials | 8,142,867 | - |
| Other operating cost | 955,182 | 449 |
| Depreciation expense | 539,181 | |
| Total Operating Expenses | 14,276,320 | 449 |
| Operating Loss | (12,849,686) | (449) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 54,521 | 3,544 |
| Transfers in | - | 440,243 |
| Transfers out | (1,912,000) | - |
| Grants | 15,036,629 | - |
| Total Nonoperating Revenues | 13,179,150 | 443,787 |
| Change in Net Assets | 329,464 | 443,338 |
| Total Net Assets - Beginning | 19,975,160 | 355,540 |
| Total Net Assets - Ending | \$ 20,304,624 | \$ 798,878 |

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Business-Type Activities | Governmental Activities - |
|---|-----------------------------|------------------------------|
| | Enterprise Funds Major | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 860,356 | \$ - |
| Cash payments to other suppliers of goods or services | (8,186,339) | - |
| Cash payments to employees for services | (4,639,090) | - |
| Other operating cash payments | (919,641) | - |
| Net Cash Used for Operating Activities | (12,884,714) | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Nonoperating grants received | 15,036,629 | - |
| Transfers from other fund | - | - |
| Transfers to other fund | (1,912,000) | - |
| Net Cash Provided by Noncapital Financing Activities | 13,124,629 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (1,135,603) | - |
| Net Cash Used for Capital and Related Financing Activities | (1,135,603) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 54,521 | 3,849 |
| Net Cash Provided Used for Investing Activities | 54,521 | 3,849 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (841,167) | 3,849 |
| Cash and Cash Equivalents - Beginning | 8,024,104 | 354,506 |
| Cash and Cash Equivalents - Ending | \$ 7,182,937 | \$ 358,355 |

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011**

| | Business-Type | |
|--|---|--|
| | Activities Enterprise Funds Nutrition Services | Governmental Activities - Internal Service Fund |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED USED FOR OPERATING ACTIVITIES | | |
| Operating loss | \$ (12,849,686) | \$ (449) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 539,181 | - |
| Changes in assets and liabilities: | | |
| Receivables | (579,972) | - |
| Due from other fund | 13,694 | - |
| Inventories | (32,050) | - |
| Accrued liabilities | (11,422) | 449 |
| Due to other fund | 35,541 | - |
| NET CASH USED FOR OPERATING ACTIVITIES | <u>\$ (12,884,714)</u> | <u>\$ -</u> |
| NONCASH, NONCAPITAL FINANCING ACTIVITIES | | |

During the year, the District received \$1,049,215 of food commodities from the U.S. Department of Agriculture.

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

RIALTO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

| | Agency Funds |
|--------------------------|-------------------|
| ASSETS | |
| Deposits and investments | \$ 771,678 |
| Receivables | 504 |
| Prepaid expenses | 500 |
| Stores inventories | 17,507 |
| Total Assets | \$ 790,189 |
| LIABILITIES | |
| Accounts payable | \$ 40,487 |
| Due to student groups | 749,702 |
| Total Liabilities | \$ 790,189 |

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

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

In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District reports no such component units.

Basis of Presentation - Fund Accounting

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

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

Debt Service Funds The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Basis of Accounting - Measurement Focus

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

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met, are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000, effective July 1, 2008. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

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

Interfund Balances

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

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

Committed - The District currently does not have any committed funds.

Assigned - The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$25,779,133 of restricted net assets subject to enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Changes in Accounting Principles

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

| | | |
|--------------------------------|----|-------------------|
| Governmental activities | \$ | 47,452,651 |
| Business-type activities | | 7,182,937 |
| Fiduciary funds | | 771,678 |
| Total Deposits and Investments | \$ | <u>55,407,266</u> |
| | | |
| Cash on hand and in banks | \$ | 7,947,525 |
| Cash in revolving | | 57,090 |
| Cash with fiscal agent/trustee | | 78,002 |
| Investments | | 47,324,649 |
| Total Deposits and Investments | \$ | <u>55,407,266</u> |

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Policies and Practices

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

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

General Authorizations

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the San Bernardino County Investment Pool. The pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the San Bernardino County Investment Pool with a fair value of approximately \$47,467,708. The average weighted maturity for this pool is 360 days. In addition, the District maintains an investment of \$24,612 with First American Treasury Obligations Money Market Mutual Funds. Fair value for this investment approximates the stated value of \$24,612, and this investment has an average weighted maturity of 35 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Bernardino County Investment Pool is rated Aaa by Moody's Investor Service. The investment in First American Treasury Obligations Money Market Mutual Funds is also rated Aaa by Moody's.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$7,424,707 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General | | Building | Non-Major | Internal | Total | Nutrition | Fiduciary |
|---------------------|---------------|-----------|----------|-----------|----------|---------------|--------------|-----------|
| | Fund | Fund | | | | | | |
| Federal Government | | | | | | | | |
| Categorical aid | \$ 2,703,449 | \$ - | \$ - | \$ - | \$ - | \$ 2,703,449 | \$ 2,287,539 | \$ - |
| State Government | | | | | | | | |
| Apportionment | 36,474,387 | - | - | 72,404 | - | 36,546,791 | 204,412 | - |
| Categorical aid | 3,834,449 | - | - | - | - | 3,834,449 | - | - |
| Lottery | 1,800,152 | - | - | - | - | 1,800,152 | - | - |
| Local Government | | | | | | | | |
| Due from ROP | 406,636 | - | - | - | - | 406,636 | - | - |
| Due from SELPA | 3,125,575 | - | - | - | - | 3,125,575 | - | - |
| Interest | 55,835 | 53,876 | - | 24,144 | 729 | 134,584 | - | - |
| Other Local Sources | 1,349,126 | - | - | - | - | 1,349,126 | 43,530 | 504 |
| Total | \$ 49,749,609 | \$ 53,876 | \$ - | \$ 96,548 | \$ 729 | \$ 49,900,762 | \$ 2,535,481 | \$ 504 |

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 |
|--------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 39,746,151 | \$ - | \$ - | \$ 39,746,151 |
| Construction in process | 23,804,305 | 3,411,119 | 22,803,794 | 4,411,630 |
| Total Capital Assets | 63,550,456 | 3,411,119 | 22,803,794 | 44,157,781 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 14,387,774 | 695,698 | - | 15,083,472 |
| Buildings and improvements | 317,377,951 | 22,590,661 | - | 339,968,612 |
| Furniture and equipment | 58,242,127 | 500,866 | - | 58,742,993 |
| Total Capital Assets | 390,007,852 | 23,787,225 | - | 413,795,077 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 8,183,400 | 548,462 | - | 8,731,862 |
| Buildings and improvements | 70,364,386 | 8,926,478 | - | 79,290,864 |
| Furniture and equipment | 40,073,388 | 2,614,776 | - | 42,688,164 |
| Total Accumulated Depreciation | 118,621,174 | 12,089,716 | - | 130,710,890 |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 334,937,134</u> | <u>\$ 15,108,628</u> | <u>\$ 22,803,794</u> | <u>\$ 327,241,968</u> |
| Business-Type Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Construction in process | \$ - | \$ 1,135,603 | \$ - | \$ 1,135,603 |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 12,115,876 | - | - | 12,115,876 |
| Furniture and equipment | 1,775,125 | - | - | 1,775,125 |
| Total Capital Assets | 13,891,001 | - | - | 13,891,001 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | 2,487,533 | 471,491 | - | 2,959,024 |
| Furniture and equipment | 1,290,518 | 67,690 | - | 1,358,208 |
| Total Accumulated Depreciation | 3,778,051 | 539,181 | - | 4,317,232 |
| Business-Type Activities | | | | |
| Capital Assets, Net | <u>\$ 10,112,950</u> | <u>\$ 596,422</u> | <u>\$ -</u> | <u>\$ 10,709,372</u> |

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

| Governmental Activities | |
|---|-----------------------------|
| Instruction | \$ 9,792,669 |
| All other pupil services | 483,589 |
| All other general administration | 604,486 |
| Plant services | 1,208,972 |
| Total Depreciation Expenses Governmental Activities | <u>12,089,716</u> |
| Business-Type Activities | |
| Nutrition services | 539,181 |
| Total Depreciation Expenses All Activities | <u><u>\$ 12,628,897</u></u> |

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2011, between major and non-major governmental funds, and major enterprise funds are as follows:

| Due To | Due From | | | | Total |
|------------------------------|---------------------|--------------------|------------------------------|------------------------------|---------------------|
| | General Fund | Building Fund | Non-Major Governmental Funds | Food Service Enterprise Fund | |
| General Fund | \$ - | \$ 52,039 | \$ 1,990,009 | \$ 525,076 | \$ 2,567,124 |
| Building Fund | 10,000,000 | - | 56,246 | - | 10,056,246 |
| Non-Major Governmental Funds | 323,043 | 1,302,485 | - | - | 1,625,528 |
| Internal Service Fund | 440,243 | - | - | - | 440,243 |
| Total | \$10,763,286 | \$1,354,524 | \$ 2,046,255 | \$ 525,076 | \$14,689,141 |

The balance of \$10,000,000 due to the Building Fund from the General Fund resulted from a temporary loan for cash flow.

The balance of \$440,243 due to the Internal Service Fund from the General Fund resulted from a contribution.

A balance of \$143,323 due to the Capital Facilities Fund (Non-Major) from the General Fund resulted from RDA revenue owed.

The balance of \$525,076 due to the General Fund from the Food Service Enterprise Fund resulted from salaries, benefits, and indirect costs to be reimbursed.

A balance of \$939,871 due to the Capital Facilities Fund (Non-Major) from the Building Fund resulted from construction costs to be reimbursed.

A balance of \$362,614 due to the Special Reserve Fund for Capital Outlay Projects (Non-Major) from the Building Fund resulted from construction costs to be reimbursed.

A balance of \$1,548,793 due to the General Fund from the Capital Facilities Fund (Non-Major) resulted from amounts owed for E-rate transfer.

A balance of \$418,883 due to the General Fund from the Child Development Fund (Non-Major) resulted from salaries, benefits, and indirect costs to be reimbursed.

A balance of \$179,720 due to the Capital Facilities Fund (Non-Major) from the General Fund resulted from project costs to be reimbursed.

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

| Transfer To | Transfer From | | | | Total |
|------------------------------|---------------------|---------------------|------------------------------|-------------------------------|---------------------|
| | General Fund | Building Fund | Non-Major Governmental Funds | Food Services Enterprise Fund | |
| General Fund | \$ - | \$ 52,039 | \$ 3,440,636 | \$ - | \$ 3,492,675 |
| Building Fund | - | - | 56,246 | - | 56,246 |
| Non-Major Governmental Funds | 1,118,954 | 1,305,485 | - | 1,912,000 | 4,336,439 |
| Internal Service Fund | 440,243 | - | - | - | 440,243 |
| Total | <u>\$ 1,559,197</u> | <u>\$ 1,357,524</u> | <u>\$ 3,496,882</u> | <u>\$ 1,912,000</u> | <u>\$ 8,325,603</u> |

The General Fund transferred to the COP Debt Service Fund (Non-Major) for debt service payment. \$ 1,118,954

The General Fund transferred to the Internal Service Fund as a contribution. 440,243

Deferred Maintenance Fund (Non-Major) transferred to the General Fund per flexibility provisions. 1,872,463

The Capital Facilities Fund (Non-Major) transferred to the General Fund for E-Rate revenue. 1,568,173

The Building Fund transferred to the General Fund to reimburse construction costs. 52,039

The Food Services Enterprise Fund transferred to the Special Reserve Fund for Capital Outlay Projects (Non-Major) for future capital projects. 1,912,000

County School Facilities Fund (Non-Major) transferred to the Building Fund to reimburse construction costs. 56,246

Building Fund transferred to the Capital Facilities Fund (Non-Major) to reimburse construction costs. 942,871

Building Fund transferred to the Special Reserve Fund for Capital Outlay Projects (Non-Major) to reimburse construction costs. 362,614

Total \$ 8,325,603

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

| | General | | Non-Major | | Internal | | Nutrition Service | | Fiduciary | |
|-----------------------|---------------|------------|------------|--------|---------------|--------------|-------------------|------|-----------|------|
| | Fund | Fund | Funds | Fund | Service | Total | Enterprise | Fund | Fund | Fund |
| Salaries and benefits | \$ 6,130,666 | \$ - | \$ 160,519 | \$ - | \$ - | \$ 6,291,185 | \$ - | \$ - | \$ - | \$ - |
| State apportionment | 888,770 | - | - | - | - | 888,770 | - | - | - | - |
| Books and supplies | 1,977,068 | - | 114,393 | - | - | 2,091,461 | - | - | - | - |
| Services | 4,770,193 | 96,541 | 187,406 | 449 | 449 | 5,054,589 | - | - | - | - |
| Construction | 643,240 | 196,703 | 183,241 | - | - | 1,023,184 | - | - | - | - |
| All other payables | 437,647 | - | 21,699 | - | - | 459,346 | 2,983 | - | 40,487 | - |
| Total | \$ 14,847,584 | \$ 293,244 | \$ 667,258 | \$ 449 | \$ 15,808,535 | \$ 2,983 | \$ 40,487 | | | |

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

| | General |
|------------------------------|--------------|
| | Fund |
| Federal financial assistance | \$ 4,675,848 |
| State categorical aid | 3,931 |
| Other local | 6 |
| Total | \$ 4,679,785 |

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

| | Balance | | Balance | | Due in One Year |
|--|----------------------|----------------------|----------------------|-----------------------|---------------------|
| | July 1, 2010 | July 1, 2010 | June 30, 2011 | June 30, 2011 | |
| 1999 General Obligation Bonds, Series A | \$ 15,841,744 | \$ 801,523 | \$ 1,470,000 | \$ 15,173,267 | \$ 1,565,000 |
| 1999 General Obligation Bonds, Series B | 16,910,000 | - | 640,000 | 16,270,000 | 660,000 |
| Premium on Issuance | 246,561 | - | 15,371 | 231,190 | - |
| 1999 General Obligation Bonds, Series C | 17,695,000 | - | 625,000 | 17,070,000 | 650,000 |
| Premium on Issuance | 252,869 | - | 14,048 | 238,821 | - |
| 2010 General Obligation Bonds, Series 2011A | - | 26,932,187 | - | 26,932,187 | - |
| Premium on Issuance | - | 2,347,592 | 22,824 | 2,324,768 | - |
| 2010 General Obligation Bonds, Series 2011B | - | 9,695,000 | - | 9,695,000 | - |
| Discount on Issuance | - | (1,068,488) | (20,776) | (1,047,712) | - |
| 2006 Certificates of Participation | 4,470,000 | - | 1,145,000 | 3,325,000 | - |
| Discount on Issuance | (15,047) | - | (15,047) | - | - |
| 1997 Refunding Certificates of Participation | 9,910,000 | - | 6,395,000 | 3,515,000 | - |
| Premium on Issuance | 758 | - | 758 | - | - |
| Child Care Facilities Revolving Fund | 483,406 | - | 197,014 | 286,392 | 197,014 |
| City of Rialto Redevelopment Agency Loan | 5,878,866 | - | 78,952 | 5,799,914 | 84,656 |
| Premium on Issuance | 12,562 | - | 454 | 12,108 | - |
| Supplemental Early Retirement Plan (SERP) | 9,860,673 | - | 2,058,135 | 7,802,538 | 2,058,135 |
| Estimated insurance claims | 383,164 | - | 383,164 | - | - |
| Accumulated vacation - net | 632,782 | 187,359 | - | 820,141 | - |
| Other postemployment benefits | 7,949,124 | - | 2,040,250 | 5,908,874 | - |
| | <u>\$ 90,512,462</u> | <u>\$ 38,895,173</u> | <u>\$ 15,050,147</u> | <u>\$ 114,357,488</u> | <u>\$ 5,214,805</u> |

Payments for the 1999 and 2010 General Obligation Bonds are made from the Bond Interest and Redemption Fund. The 1997 Refunding Certificates of Participation and 2006 Certificates of Participation are paid from the COP Debt Service Fund. Payments for the Child Care Facilities Revolving Fund debt are made from the Child Development Fund. Supplemental Early Retirement Plan (SERP) payments are made from the General Fund. Payments for the City of Rialto Redevelopment Agency Loan are made by the Capital Facilities Fund. The accumulated vacation liability will be paid from the fund from which the employee was paid. Other postemployment benefits are paid by the General Fund.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | Accreted | Redeemed | End of Year |
|------------|---------------|---------------|----------------|-------------------------------|----------------------|-------------------|---------------------|----------------------|
| | | | | Outstanding Beginning of Year | Issued | | | |
| 6/1/2000 | 2025 | 4.75-6.25% | \$ 19,995,038 | \$ 15,841,744 | \$ - | \$ 801,523 | \$ 1,470,000 | \$ 15,173,267 |
| 1/24/2003 | 2027 | 4.00-6.00% | 20,000,000 | 16,910,000 | - | - | 640,000 | 16,270,000 |
| 5/5/2004 | 2028 | 3.00-5.125% | 20,000,000 | 17,695,000 | - | - | 625,000 | 17,070,000 |
| 3/17/2011 | 2042 | | 26,932,187 | - | 26,932,187 | - | - | 26,932,187 |
| 3/17/2011 | 2027 | | 9,695,000 | - | 9,695,000 | - | - | 9,695,000 |
| | | | | <u>\$ 50,446,744</u> | <u>\$ 36,627,187</u> | <u>\$ 801,523</u> | <u>\$ 2,735,000</u> | <u>\$ 85,140,454</u> |

1999 General Obligation Refunding Bonds, Series A

On June 1, 2000, the District issued current and capital appreciation, 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038 (accruing to \$38,730,000) in order to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2025, with interest rates varying from 4.75 to 6.25 percent. At June 30, 2011, 1999 General Obligation Refunding Bonds, Series A, totaling \$15,173,267 were still outstanding.

1999 General Obligation Bonds, Series B

On January 24, 2003, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series B. The Bonds were issued at an aggregate price of \$20,000,000 (representing the principal amount of \$20,000,000 plus original issue premium of \$368,915 less underwriter's discount of \$241,515, and additional issuance related costs of \$127,400). The bonds have a maturity date of August 1, 2027, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the sale of the bonds were used to finance the cost of acquisition or improvement of real property, including the construction and equipping of certain school facilities and improvements within and for the District. Unamortized premium on issuance was \$231,190 as of June 30, 2011. Deferred costs on issuance, including underwriter's discount and other issuance related costs outstanding, were \$231,190 as of June 30, 2011. At June 30, 2011, 1999 General Obligation Bonds, Series B totaling \$16,270,000 were still outstanding.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

1999 General Obligation Bond, Series C

On May 5, 2004, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series C. The bonds were issued at an aggregate price of \$20,037,557 (representing the principal amount of \$20,000,000 plus original issue premium of \$337,157 less underwriter's discount of \$96,600 and additional issuance related costs of \$203,000). The bonds have a maturity date of August 1, 2028, with interest rates varying from 3.00 to 5.125 percent. Proceeds from the sale of the bonds will be used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized premium on issuance as of June 30, 2011, was \$238,821. Deferred costs on issuance, including underwriter's discount and other issuance related costs totaling \$212,219, were outstanding as of June 30, 2011. As of June 30, 2011, 1999 General Obligation Bonds, Series C totaling \$17,070,000 were still outstanding.

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 (accreting to \$37,560,000) with a maturity date of August 1, 2036, and an interest rate of 7.5 percent. The convertible capital appreciation bonds were issued in the amount of \$16,888,370 convertible on August 1, 2026 with a stated accreted value of \$51,225,000 at conversion date and a final maturity date of August 1, 2041 at an interest rate of 7.350 percent. At June 30, 2011, 2010 General Obligation Bonds, Series 2011A, totaling \$26,932,187 were still outstanding.

2010 General Obligation Bonds, Series 2011B

One March 17, 2011, the District issued serial bonds, 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 maturity date of August 1, 2026, with interest rates varying from 5.28 to 6.91 percent. At June 30, 2011, 2010 General Obligation Refunding Bonds, Series 2011B, totaling \$9,695,000 were still outstanding.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The 1999 and 2010 General Obligation Bonds mature as follows:

| Fiscal Year | Principal | | Current | | Total |
|-------------|-------------------------------------|-------------------|----------------------|-------------|----------------|
| | Including Accreted Interest to Date | Accreted Interest | Interest to Maturity | Interest to | |
| 2012 | \$ 2,875,000 | \$ - | \$ 2,077,511 | \$ - | \$ 4,952,511 |
| 2013 | 2,832,451 | 188,677 | 1,991,422 | - | 5,012,550 |
| 2014 | 2,801,018 | 274,766 | 1,930,175 | - | 5,005,959 |
| 2015 | 2,780,759 | 356,081 | 1,869,177 | - | 5,006,017 |
| 2016 | 2,773,586 | 432,188 | 1,807,232 | - | 5,013,006 |
| 2017-2021 | 14,777,188 | 3,180,686 | 7,889,016 | - | 25,846,890 |
| 2022-2026 | 22,593,265 | 3,553,261 | 4,425,998 | - | 30,572,524 |
| 2027-2031 | 9,748,376 | 14,496,623 | 17,379,725 | - | 41,624,724 |
| 2032-2036 | 5,928,578 | 24,510,598 | 18,825,188 | - | 49,264,364 |
| 2037-2041 | 13,798,661 | 31,986,339 | 13,616,610 | - | 59,401,610 |
| 2042 | 4,231,572 | 8,603,430 | 471,688 | - | 13,306,690 |
| Total | \$ 85,140,454 | \$ 87,582,649 | \$ 72,283,742 | \$ - | \$ 245,006,845 |

2006 Certificates of Participation

In June 2006, the District issued the 2006 Certificates of Participation in the amount of \$4,770,000. The Certificates were issued at an aggregate price of \$4,500,000 (representing the principal amount of \$4,770,000 less discount on issuance of \$17,915 and less issuance costs of \$252,085). The Certificates have a maturity date of September 1, 2031, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, will be used to finance the cost of acquisition and improvement of certain school facilities and land. At June 30, 2011, 2006 Certificates of Participation totaling \$3,325,000 were still outstanding.

The Certificates mature through 2030 as follows:

| Year Ending June 30, | Principal | | Interest | | Total |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | Principal | Interest | Principal | Interest | |
| 2012 | \$ - | \$ 141,788 | \$ - | \$ 141,788 | \$ 141,788 |
| 2013 | - | 141,788 | - | 141,788 | 141,788 |
| 2014 | - | 141,788 | - | 141,788 | 141,788 |
| 2015 | 150,000 | 138,975 | 133,159 | 288,975 | 288,159 |
| 2016 | 155,000 | 133,159 | 133,159 | 288,159 | 288,159 |
| 2017-2021 | 885,000 | 564,416 | 564,416 | 1,449,416 | 1,449,416 |
| 2022-2026 | 1,085,000 | 359,200 | 359,200 | 1,444,200 | 1,444,200 |
| 2027-2030 | 1,050,000 | 98,424 | 98,424 | 1,148,424 | 1,148,424 |
| Total | \$ 3,325,000 | \$ 1,719,538 | \$ 1,719,538 | \$ 5,044,538 | \$ 5,044,538 |

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1997 Refunding Certificates of Participation

In September 1997, the District issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. As of June 30, 2011, 1997 Refunding Certificates of Participation totaling \$3,515,000 were still outstanding.

The Certificates mature through 2020 as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2012 | \$ - | \$ 153,874 | \$ 153,874 |
| 2013 | - | 153,874 | 153,874 |
| 2014 | - | 153,874 | 153,874 |
| 2015 | 440,000 | 144,854 | 584,854 |
| 2016 | 455,000 | 126,165 | 581,165 |
| 2017-2020 | 2,620,000 | 305,210 | 2,925,210 |
| Total | <u>\$ 3,515,000</u> | <u>\$ 1,037,851</u> | <u>\$ 4,552,851</u> |

Child Care Facilities Revolving Fund

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program bringing a total to date of fourteen agreements entered into. This program provides up to \$150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2011, the outstanding balance was \$286,392.

| Year Ending June 30, | Total Payments |
|-------------------------|-------------------|
| 2012 | \$ 143,392 |
| 2013 | 39,000 |
| 2014 | 26,000 |
| 2015 | 26,000 |
| 2016 | 26,000 |
| 2017 | 26,000 |
| Total | <u>\$ 286,392</u> |

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

City of Rialto Redevelopment Agency Loan

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

During 2008, the District borrowed an additional \$3,390,000 to complete the project. Proceeds from the loan were issued at an aggregate price of \$3,000,000 (representing the principal amount of \$3,390,000 plus a pro-rata share of the original issue premium determined to be \$13,621, less the pro-rata share of costs of issuance determined to be \$403,621). As of June 30, 2011, the outstanding balance was \$5,799,914. Unamortized premium and costs of issuance at June 30, 2011, were \$12,108 and \$564,479, respectively.

The debt service schedule for the loan is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 2012 | \$ 84,656 | \$ 298,028 | \$ 382,684 |
| 2013 | 86,065 | 294,864 | 380,929 |
| 2014 | 86,770 | 291,570 | 378,340 |
| 2015 | 92,474 | 288,150 | 380,624 |
| 2016 | 98,179 | 284,363 | 382,542 |
| 2017-2021 | 548,505 | 1,354,057 | 1,902,562 |
| 2022-2026 | 693,729 | 1,206,870 | 1,900,599 |
| 2027-2031 | 1,336,357 | 993,890 | 2,330,247 |
| 2032-2036 | 2,338,179 | 523,935 | 2,862,114 |
| 2037 | 435,000 | 41,250 | 476,250 |
| Total | <u>\$ 5,799,914</u> | <u>\$ 5,576,977</u> | <u>\$ 11,376,891</u> |

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011, the balance remaining was \$7,802,538. Future payments are as follows:

| Year Ending June 30, | Total Payments |
|-------------------------|---------------------|
| 2012 | \$ 2,058,135 |
| 2013 | 2,058,135 |
| 2014 | 2,058,135 |
| 2015 | 1,628,133 |
| Total | <u>\$ 7,802,538</u> |

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$820,141.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$2,438,123, and contributions made by the District during the year were \$2,768,638. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$316,737 and (\$2,026,472), respectively, which resulted in a decrease to the net OPEB obligation of \$2,040,250. As of June 30, 2011, the net OPEB obligation was \$5,908,874. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

| | General | Building | Non-Major | | Total |
|------------------------------------|----------------------|----------------------|----------------------|-------------|----------------------|
| | Fund | Fund | Governmental | | |
| Nonspendable | | | | | |
| Revolving cash | \$ 50,000 | \$ - | \$ - | \$ - | \$ 50,000 |
| Stores inventories | 70,893 | - | - | - | 70,893 |
| Prepaid expenditures | 2,408,599 | - | - | - | 2,408,599 |
| Total Nonspendable | <u>2,529,492</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,529,492</u> |
| Restricted | | | | | |
| Legally restricted programs | 12,874,760 | - | 832,029 | - | 13,706,789 |
| Capital projects | - | 27,056,206 | 7,600,841 | - | 34,657,047 |
| Debt services | - | - | 5,563,615 | - | 5,563,615 |
| Total Restricted | <u>12,874,760</u> | <u>27,056,206</u> | <u>13,996,485</u> | <u>-</u> | <u>53,927,451</u> |
| Unassigned | - | - | - | - | - |
| Reserve for economic uncertainties | 6,652,083 | - | - | - | 6,652,083 |
| Remaining unassigned | 15,961,757 | - | - | - | 15,961,757 |
| Total Unassigned | <u>22,613,840</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,613,840</u> |
| Total | <u>\$ 38,018,092</u> | <u>\$ 27,056,206</u> | <u>\$ 13,996,485</u> | <u>\$ -</u> | <u>\$ 79,070,783</u> |

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

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Rialto Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 225 retirees currently receiving benefits and 2,168 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010-2011, the District contributed \$2,768,638 to the Plan, all of which was used for current premiums (approximately 95 percent of total premiums). Retirees contributed \$155,640, or approximately five percent, of the total premiums.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

| | |
|--|----------------------------|
| Annual required contribution | \$ 2,438,123 |
| Interest on net OPEB obligation | 316,737 |
| Adjustment to annual required contribution | <u>(2,026,472)</u> |
| Annual OPEB cost (expense) | 728,388 |
| Contributions made | <u>(2,768,638)</u> |
| Increase in net OPEB obligation | (2,040,250) |
| Net OPEB obligation, beginning of year | 7,949,124 |
| Net OPEB obligation, end of year | <u><u>\$ 5,908,874</u></u> |

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2009 | \$ 3,710,461 | \$ 1,033,562 | 28% | \$ 5,318,475 |
| 2010 | 3,670,169 | 1,039,520 | 28% | 7,949,124 |
| 2011 | 728,388 | 2,768,638 | 380% | 5,908,874 |

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|--------------------------------|-------------------------------------|-----------------------------------|--------------------------------------|-----------------------|------------------------|--|
| | | Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | | | |
| February 1, 2011 | \$ - | \$ 25,908,488 | \$ 25,908,488 | 0% | \$ 135,738,227 | 19% |

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Actuarial Methods and Assumptions

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

In the February 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used was five percent up to an increase of seven percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2011, was 27 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

Description

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

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2011:

| | |
|----------------------------------|----------------------|
| | Dental and Vision |
| Liability Balance, July 1, 2009 | \$ 369,110 |
| Claims and changes in estimates | 3,053,375 |
| Claims payments | (3,039,321) |
| Liability Balance, June 30, 2010 | 383,164 |
| Claims and changes in estimates | - |
| Claims payments | (383,164) |
| Liability Balance, June 30, 2011 | \$ - |
| | \$ - |

Assets available to pay claims at June 30, 2011

The Dental and Vision Fund was closed as of June 30, 2011.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$8,394,074, \$8,778,602, and \$9,026,620, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. In accordance with bargaining unit agreements, the District is required to make contributions on behalf of the employee at a rate of 7.0 percent of annual payroll. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$3,639,898, \$3,410,849, and \$3,236,495, respectively, and equal 100 percent of the required contributions for each year.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Alternative Retirement Plan

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

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$183,837, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions matched that of the employer's.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,341,538 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is not currently a party to any legal proceedings.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Operating Leases

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

The following is a schedule, by years, of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

| Year Ending | Lease Payment |
|-------------|---------------------|
| June 30, | |
| 2012 | \$ 353,304 |
| 2013 | 353,304 |
| 2014 | 353,304 |
| 2015 | 117,768 |
| Total | <u>\$ 1,177,680</u> |

Total expenditures charged for leases during 2011 were \$967,439.

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

The District is a member of the Schools Excess Liability Fund (SELF), Protected Insurance Programs for Schools (PIPS), and the Southern California Regional Liability Excess Fund (SoCal RELIEF) public entity risk pools (JPA's). The District pays an annual premium to each entity for its excess liability coverage, workers' compensation coverage, and property and liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2011, the District made payments of \$31,128, \$2,666,135, and \$749,802 to SELF, PIPS and SoCal RELIEF, respectively, for the noted services.

NOTE 15 - SUBSEQUENT EVENTS

The District issued \$14,870,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on March 1, 2012, and yield 0.449 percent interest. The notes were sold to supplement cash flow.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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REQUIRED SUPPLEMENTARY INFORMATION

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RIALTO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances - Positive (Negative) Final to Actual |
|--|----------------------|----------------------|------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue limit sources | \$ 129,044,852 | \$ 135,851,889 | \$ 137,984,725 | \$ 2,132,836 |
| Federal sources | 16,585,322 | 28,689,968 | 22,221,899 | (6,468,069) |
| Other State sources | 33,984,143 | 42,675,636 | 42,655,768 | (19,868) |
| Other local sources | 13,846,599 | 14,404,168 | 14,335,681 | (68,487) |
| Total Revenues ¹ | 193,460,916 | 221,621,661 | 217,198,073 | (4,423,588) |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 100,096,223 | 110,122,346 | 103,249,838 | 6,872,508 |
| Classified salaries | 34,347,890 | 34,441,078 | 33,419,794 | 1,021,284 |
| Employee benefits | 45,442,621 | 47,574,868 | 50,564,710 | (2,989,842) |
| Books and supplies | 10,149,464 | 12,006,621 | 9,020,431 | 2,986,190 |
| Services and operating expenditures | 22,269,021 | 35,006,168 | 26,272,780 | 8,733,388 |
| Other outgo | 288,096 | 808,404 | 76,014 | 732,390 |
| Capital outlay | 560,500 | 2,843,984 | 1,914,844 | 929,140 |
| Total Expenditures ¹ | 213,153,815 | 242,803,469 | 224,518,411 | 18,285,058 |
| Excess (Deficiency) of Revenues Over Expenditures | (19,692,899) | (21,181,808) | (7,320,338) | 13,861,470 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 3,492,675 | 3,492,675 | - |
| Transfers out | - | (1,559,197) | (1,559,197) | - |
| Net Financing Sources (Uses) | - | 1,933,478 | 1,933,478 | - |
| NET CHANGE IN FUND BALANCE | (19,692,899) | (19,248,330) | (5,386,860) | 13,861,470 |
| Fund Balance - Beginning | 43,404,952 | 43,404,952 | 43,404,952 | - |
| Fund Balance - Ending | \$ 23,712,053 | \$ 24,156,622 | \$ 38,018,092 | \$ 13,861,470 |

¹ On behalf payments of \$4,341,538 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2011

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial | | Funded Ratio (a / b) | Covered Payroll (c) | U/AAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------|-------------------------------|-----------------------------------|------------------------------|----------------------|---------------------|--|
| | | Accrued Liability (AAL) - (AAL) - | Unfunded AAL (U/AAL) (b - a) | | | |
| February 1, 2007 | \$ - | Unit Credit (b) 27,219,215 | \$ 27,219,215 | 0% | \$ 147,906,482 | 18% |
| February 1, 2009 | - | 18,601,302 | 18,601,302 | 0% | 141,520,947 | 13% |
| February 1, 2011 | - | 25,908,488 | 25,908,488 | 0% | 135,738,227 | 19% |

SUPPLEMENTARY INFORMATION

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RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

| U.S. DEPARTMENT OF EDUCATION Grantor/Program | Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|---|---|----------------|---|-------------------------|
| | | | | |
| Direct Award | | | | |
| Fee Reimbursement Program | | 84.330 | 14831 | \$ 30,010 |
| Forest Reserve Funds | | 10.665 | 10044 | 17,785 |
| Passed through Cal-State University San Bernardino GEAR UP | | 84.334(A) | 10088 | 154,288 |
| No Child Left Behind Act (NCLB) | | | | |
| Title I Grants to Local Educational Agencies Cluster | | | | |
| Title I - Part A, Basic Grants | | 84.010 | 14329 | 7,844,093 |
| ARRA: Title I - Part A, Basic Grants | | 84.389 | 15005 | 2,454,650 |
| Subtotal - Title I Grants to Local Educational Agencies Cluster | | | | <u>10,298,743</u> |
| Title I, School Improvement Grants | | 84.377 | 15127 | 327,797 |
| Title II - Part A, Improving Teacher Quality | | 84.367 | 14341 | 1,221,554 |
| Title II, Part A - Administrator Training Program | | 84.367 | 14344 | 5,662 |
| Title II - Part D, Enhancing Education Through Technology Formula Grant | | 84.318 | 14334 | 36,076 |
| ARRA Title II - Part D, Enhancing Education Through Technology Formula Grant | | 84.318 | 14368 | 39,715 |
| Title III - Immigrant Education | | 84.365 | 14346 | 43,403 |
| Title III - Limited English Proficiency | | 84.365 | 10084 | 1,042,927 |
| Individuals with Disabilities Education Act (IDEA) | | | | |
| Passed through from East Valley SELPA: Special Education (IDEA) Cluster | | | | |
| Local Assistance | | 84.027 | 13379 | 3,354,652 |
| Local Assistance, Part B, Sec 611, Private School ISPs | | 84.027 | 10115 | 1,766 |
| Local Assistance, Part B, Sec 611, Private School ISPs | | 84.391 | 10123 | 4,118 |
| ARRA: Local Assistance | | 84.391 | 15003 | 1,320,282 |
| Preschool Entitlement | | 84.173 | 13430 | 52,905 |
| ARRA: Preschool Entitlement | | 84.392 | 15000 | 39,958 |
| Preschool Local | | 84.027A | 13682 | 94,625 |
| Preschool Staff Development | | 84.173A | 13431 | 761 |
| Subtotal - Special Education (IDEA) Cluster | | | | <u>4,869,067</u> |
| No Child Left Behind Act (NCLB) | | | | |
| Title I - Part B, Reading First | | 84.357 | 14328 | 197,960 |
| Professional Development | | 84.357 | 14911 | 584,670 |
| Title IV - Safe and Drug-Free Schools | | 84.186 | 14347 | 59,719 |
| ARRA Title X McKinney-Vento Homeless Assistance | | 84.387 | 15007 | 10,000 |
| Career and Technical Education- Secondary Education | | 84.048 | 14894 | 213,210 |
| Career and Technical Education- Post Secondary and Adult Education | | 84.048 | 14893 | 7,058 |
| ARRA: State Fiscal Stabilization Fund | | 84.394 | 25008 | 6,303,689 |
| Total for U.S. Department of Education | | | | <u>25,463,333</u> |

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011**

| | Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|---|----------------|---|-------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Passed through CDE: | | | | |
| Quality Improvement Activities | | 93.575 | 14130 | \$ 14,805 |
| ARRA: Quality Improvement Activities | | 93.575 | 13942 | 33,333 |
| Medi-Cal Assistance Cluster | | 93.778 | 10013 | 300,666 |
| Medi-Cal Billing | | | | |
| Passed through San Bernardino County Department of Health Services: | | | | |
| Medi-Cal Administrative Activities | | 93.778 | 10060 | 1,409,108 |
| Subtotal - Medicaid Assistance Cluster | | | | <u>1,709,774</u> |
| Total for U.S. Department of Health and Human Services | | | | <u>1,757,912</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed through CDE: | | | | |
| Child Nutrition Cluster | | 10.553 | 13525 | 36,590 |
| Basic School Breakfast Program | | 10.553 | 13526 | 2,674,905 |
| Especially Needy Breakfast Program | | 10.556 | 13392 | 234,649 |
| Meal Supplements - Snacks | | 10.555 | 13396 | 9,825,656 |
| National School Lunch Program | | 10.555 | [1] | 1,049,215 |
| Commodities | | | | <u>13,821,015</u> |
| Total for U.S. Department of Agriculture | | | | |
| U.S. DEPARTMENT OF DEFENSE | | | | |
| Junior Reserve Officer Training Corps - Army | | | | |
| | | 12.000 | JROTC 05055 | 66,919 |
| | | | 79 AR | |
| | | | RMRIIV | |
| Junior Reserve Officer Training Corps - Marine | | | | |
| | | 12.000 | JROTC05629 | 45,969 |
| | | | 86 AF | |
| Junior Reserve Officer Training Corps - Navy | | | | |
| | | 12.000 | JROTC081S | 67,186 |
| Total for U.S. Department of Defense | | | | |
| | | | | <u>180,074</u> |
| Total Federal Programs | | | | |
| | | | | <u>\$ 41,222,334</u> |

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

ORGANIZATION

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

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|------------------------|----------------|-------------------------|
| Mr. Michael G. Ridgway | President | 2012 |
| Mrs. Joanne T. Gilbert | Vice President | 2012 |
| Mr. Joseph Ayala | Clerk | 2012 |
| Mr. Joseph W. Martinez | Member | 2014 |
| Mr. Edgar Montes | Member | 2014 |

ADMINISTRATION

| | |
|---------------------------|--|
| Dr. Harold L. Cebrun, Sr. | Superintendent |
| Mr. Casey Cridelich | Assistant Superintendent, Business Services |
| Ms. Jasmine Valenzuela | Assistant Superintendent, Educational Services |
| Mr. Felix Avila | Assistant Superintendent, Personnel Services |

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

| | Final Report | |
|------------------------|-------------------------|----------------------|
| | Second Period Report | Annual Report |
| ELEMENTARY | | |
| Kindergarten | 1,914 | 1,918 |
| First through third | 5,764 | 5,734 |
| Fourth through sixth | 5,780 | 5,758 |
| Seventh and eighth | 3,994 | 3,978 |
| Total Elementary | <u>17,452</u> | <u>17,388</u> |
| SECONDARY | | |
| Regular classes | 7,287 | 7,189 |
| Continuation education | 289 | 283 |
| Home and hospital | 12 | 13 |
| Community day school | 11 | 11 |
| Special education | 761 | 760 |
| Total Secondary | <u>8,360</u> | <u>8,256</u> |
| Total K-12 | <u><u>25,812</u></u> | <u><u>25,644</u></u> |

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

| Grade Level | 1982-83 | | Reduced | | 1986-87 | | 2010-11 | | Number of Days Traditional Calendar | Status |
|---------------|-------------------|-------------------|-------------------|------------------------|-------------------|------------------------|-------------------|-----|---|--------|
| | Actual Minutes | Actual Minutes | Actual Minutes | Requirement Minutes | Actual Minutes | Requirement Minutes | Actual Minutes | | | |
| Kindergarten | 31,680 | 30,800 | 36,000 | 35,000 | 36,180 | 35,000 | 36,180 | 180 | Complied | |
| Grades 1 - 3 | 47,520 | 46,200 | 50,400 | 49,000 | 50,988 | 49,000 | 50,988 | 180 | Complied | |
| Grade 1 | | | | | 50,988 | | 50,988 | 180 | Complied | |
| Grade 2 | | | | | 50,988 | | 50,988 | 180 | Complied | |
| Grade 3 | | | | | 50,988 | | 50,988 | 180 | Complied | |
| Grades 4 - 6 | 47,520 | 46,200 | 54,000 | 52,500 | 54,420 | 52,500 | 54,420 | 180 | Complied | |
| Grade 4 | | | | | 54,420 | | 54,420 | 180 | Complied | |
| Grade 5 | | | | | 54,420 | | 54,420 | 180 | Complied | |
| Grade 6 | | | | | 54,420 | | 54,420 | 180 | Complied | |
| Grades 7 - 8 | 61,600 | 59,889 | 54,000 | 52,500 | 62,340 | 52,500 | 62,340 | 180 | Complied | |
| Grade 7 | | | | | 62,340 | | 62,340 | 180 | Complied | |
| Grade 8 | | | | | 62,340 | | 62,340 | 180 | Complied | |
| Grades 9 - 12 | 59,840 | 58,178 | 64,800 | 63,000 | 65,405 | 63,000 | 65,405 | 180 | Complied | |
| Grade 9 | | | | | 65,405 | | 65,405 | 180 | Complied | |
| Grade 10 | | | | | 65,405 | | 65,405 | 180 | Complied | |
| Grade 11 | | | | | 65,405 | | 65,405 | 180 | Complied | |
| Grade 12 | | | | | 65,405 | | 65,405 | 180 | Complied | |

See accompanying note to supplementary information.

**RIALTO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

| GENERAL FUND | (Budget) | | | |
|--|-------------------|----------------|----------------|----------------|
| | 2012 ¹ | 2011 | 2010 | 2009 |
| Revenues | \$ 209,756,801 | \$ 217,198,073 | \$ 209,534,183 | \$ 241,279,859 |
| Other sources and transfers in | - | 3,492,675 | 440,243 | 327,497 |
| Total Revenues and Other Sources | 209,756,801 | 220,690,748 | 209,974,426 | 241,607,356 |
| Expenditures | 210,818,595 | 224,518,411 | 218,497,254 | 226,537,344 |
| Other uses and transfers out | 300,000 | 1,559,197 | 1,467,639 | 2,598,444 |
| Total Expenditures and Other Uses | 211,118,595 | 226,077,608 | 219,964,893 | 229,135,788 |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (1,361,794) | \$ (5,386,860) | \$ (9,990,467) | \$ 12,471,568 |
| ENDING FUND BALANCE | \$ 36,656,298 | \$ 38,018,092 | \$ 55,876,520 | \$ 53,395,419 |
| AVAILABLE RESERVES ² | \$ 24,361,498 | \$ 22,613,840 | \$ 24,298,164 | \$ 36,723,079 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³ | 11.5% | 10.0% | 11.3% | 16.4% |
| LONG-TERM OBLIGATIONS | \$ - | \$ 114,357,488 | \$ 90,512,462 | \$ 82,858,633 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴ | 26,013 | 25,812 | 25,630 | 25,604 |

The General Fund balance has decreased by \$15,377,327 over the past two years. The fiscal year 2011-2012 budget projects a further decrease of \$1,361,794 (four percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have increased by \$31,498,855 over the past two years.

Average daily attendance has increased by 208 over the past two years. Additional growth of 201 ADA is anticipated during fiscal year 2011-2012.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$4,341,538, \$4,540,412, and \$4,942,359 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009, respectively.

⁴ Excludes adult education and ROP ADA.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

| | Adult Education Fund | Child Development Fund | Deferred Maintenance Fund | Capital Facilities Fund |
|--|----------------------------|------------------------------|---------------------------------|-------------------------------|
| ASSETS | | | | |
| Deposits and investments | \$ 10 | \$ 1,494,066 | \$ 2,953 | \$ 2,074,155 |
| Receivables | - | 75,940 | - | 6,784 |
| Due from other funds | - | - | - | 1,262,914 |
| Total Assets | <u>\$ 10</u> | <u>\$ 1,570,006</u> | <u>\$ 2,953</u> | <u>\$ 3,343,853</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 10 | 319,094 | - | 213,541 |
| Due to other funds | - | 418,883 | 2,953 | 1,568,173 |
| Total Liabilities | <u>10</u> | <u>737,977</u> | <u>2,953</u> | <u>1,781,714</u> |
| Fund Balances: | | | | |
| Restricted | - | 832,029 | - | 1,562,139 |
| Total Fund Balances | <u>-</u> | <u>832,029</u> | <u>-</u> | <u>1,562,139</u> |
| Total Liabilities and Fund Balances | <u>\$ 10</u> | <u>\$ 1,570,006</u> | <u>\$ 2,953</u> | <u>\$ 3,343,853</u> |

See accompanying note to supplementary information.

| County School Facilities Fund | Special Reserve Capital Outlay Fund | Bond Interest and Redemption Fund | COP Debt Service Fund | Total Non-Major Governmental Funds |
|-------------------------------------|---|---|-----------------------------|--|
| \$ 4,212,117 | \$ 1,642,812 | \$ 5,511,417 | \$ 50,392 | \$ 14,987,922 |
| 8,656 | 3,362 | - | 1,806 | 96,548 |
| - | 362,614 | - | - | 1,625,528 |
| <u>\$ 4,220,773</u> | <u>\$ 2,008,788</u> | <u>\$ 5,511,417</u> | <u>\$ 52,198</u> | <u>\$ 16,709,998</u> |
| 134,613 | - | - | - | 667,258 |
| 56,246 | - | - | - | 2,046,255 |
| 190,859 | - | - | - | 2,713,513 |
| 4,029,914 | 2,008,788 | 5,511,417 | 52,198 | 13,996,485 |
| 4,029,914 | 2,008,788 | 5,511,417 | 52,198 | 13,996,485 |
| <u>\$ 4,220,773</u> | <u>\$ 2,008,788</u> | <u>\$ 5,511,417</u> | <u>\$ 52,198</u> | <u>\$ 16,709,998</u> |

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

| | Adult Education Fund | Child Development Fund | Deferred Maintenance Fund |
|--|----------------------------|------------------------------|---------------------------------|
| REVENUES | | | |
| Federal sources | \$ - | \$ 48,138 | \$ - |
| Other State sources | - | 2,881,364 | - |
| Other local sources | 1,120 | 17,184 | 2,954 |
| Total Revenues | <u>1,120</u> | <u>2,946,686</u> | <u>2,954</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 112,141 | 2,228,712 | - |
| Instruction-related activities: | | | |
| Supervision of instruction | 30,138 | 107,715 | - |
| School site administration | - | 621,591 | - |
| Pupil services: | | | |
| All other pupil services | - | 45,812 | - |
| Administration: | | | |
| All other administration | - | 162,796 | - |
| Plant services | 1,033 | 71,174 | - |
| Facility acquisition and construction | - | 110,742 | - |
| Debt service | | | |
| Principal | - | 197,014 | - |
| Interest and other | - | - | - |
| Total Expenditures | <u>143,312</u> | <u>3,545,556</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(142,192)</u> | <u>(598,870)</u> | <u>2,954</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Other sources | - | - | (1,872,463) |
| Transfers out | - | - | (1,872,463) |
| Net Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(1,872,463)</u> |
| NET CHANGE IN FUND BALANCES | <u>(142,192)</u> | <u>(598,870)</u> | <u>(1,869,509)</u> |
| Fund Balances - Beginning | <u>142,192</u> | <u>1,430,899</u> | <u>1,869,509</u> |
| Fund Balances - Ending | <u>\$ -</u> | <u>\$ 832,029</u> | <u>\$ -</u> |

See accompanying note to supplementary information.

| Capital Facilities Fund | County School Facilities Fund | Special Reserve Capital Fund | Bond Interest and Redemption Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|-------------------------|-------------------------------|------------------------------|-----------------------------------|-------------------|------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 48,138 |
| 672,502 | 50,912 | 6,757 | 74,688 | - | 2,956,052 |
| 672,502 | 50,912 | 6,757 | 4,487,366 | 4,337 | 5,243,132 |
| | | | 4,562,054 | 4,337 | 8,247,322 |
| - | - | - | - | - | 2,340,853 |
| - | - | - | - | - | 137,853 |
| - | - | - | - | - | 621,591 |
| - | - | - | - | - | 45,812 |
| 533,867 | - | - | - | - | 162,796 |
| 973,137 | 987,779 | 432,456 | - | - | 606,074 |
| 78,952 | - | - | 2,735,000 | 485,000 | 3,495,966 |
| 300,947 | - | - | 1,772,203 | 633,954 | 2,707,104 |
| 1,886,903 | 987,779 | 432,456 | 4,507,203 | 1,118,954 | 12,622,163 |
| (1,214,401) | (936,867) | (425,699) | 54,851 | (1,114,617) | (4,374,841) |
| 942,871 | - | 2,274,614 | - | 1,118,954 | 4,336,439 |
| - | - | - | 534,490 | - | 534,490 |
| (1,568,173) | (56,246) | - | - | - | (3,496,882) |
| (625,302) | (56,246) | 2,274,614 | 534,490 | 1,118,954 | 1,374,047 |
| (1,839,703) | (993,113) | 1,848,915 | 589,341 | 4,337 | (3,000,794) |
| 3,401,842 | 5,023,027 | 159,873 | 4,922,076 | 47,861 | 16,997,279 |
| \$ 1,562,139 | \$ 4,029,914 | \$ 2,008,788 | \$ 5,511,417 | \$ 52,198 | \$ 13,996,485 |

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

| | Actual Results for the Years | | | | | |
|--|------------------------------|--------------------|-----------|--------------------|-----------|--------------------|
| | 2010-2011 | | 2009-2010 | | 2008-2009 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal revenue | \$ 22,222 | 10.2 | \$ 23,999 | 11.4 | \$ 31,151 | 12.9 |
| Revenue limit revenue | 137,985 | 63.5 | 127,810 | 61.0 | 153,850 | 63.8 |
| Special education revenue | 16,098 | 7.4 | 12,110 | 5.8 | 9,243 | 3.8 |
| Lottery revenue | 3,551 | 1.6 | 3,281 | 1.6 | 3,280 | 1.4 |
| Other State revenue | 35,550 | 16.0 | 39,021 | 18.6 | 40,270 | 16.7 |
| Interest revenue | 226 | 0.3 | 392 | 0.2 | 1,237 | 0.5 |
| Other local revenue | 1,566 | 1.0 | 2,921 | 1.4 | 2,248 | 0.9 |
| Total Revenues | 217,198 | 100.0 | 209,534 | 100.0 | 241,279 | 100.0 |
| EXPENDITURES | | | | | | |
| Salaries and Benefits | | | | | | |
| Certificated salaries | 103,250 | 47.5 | 107,663 | 51.4 | 110,959 | 46.0 |
| Classified salaries | 33,420 | 15.4 | 34,733 | 16.6 | 34,046 | 14.1 |
| Employee benefits | 50,564 | 23.2 | 47,714 | 22.8 | 46,416 | 19.2 |
| Total Salaries and Benefits | 187,234 | 86.1 | 190,110 | 90.8 | 191,421 | 79.3 |
| Books and supplies | 9,020 | 4.2 | 7,194 | 3.4 | 10,683 | 4.4 |
| Contracts and operating expenses | 26,273 | 12.1 | 20,530 | 9.8 | 23,112 | 9.6 |
| Capital outlay | 1,915 | 0.9 | 357 | 0.2 | 1,460 | 0.6 |
| Other outgo | 76 | 0.1 | 306 | 0.1 | (139) | (0.1) |
| Total Expenditures | 224,518 | 103.4 | 218,497 | 104.3 | 226,537 | 93.8 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (7,320) | (3.4) | (8,963) | (4.3) | 14,742 | 6.2 |
| OTHER FINANCING USES | | | | | | |
| Net financing sources (uses) INCREASE (DECREASE) IN FUND BALANCE | 1,933 | 0.9 | (1,027) | (0.5) | (2,271) | (0.9) |
| FUND BALANCE, BEGINNING | (5,387) | (2.5) | (9,990) | (4.8) | 12,471 | 5.3 |
| FUND BALANCE, ENDING | 43,405 | | 65,866 | | 40,924 | |
| ENDING FUND BALANCE TO TOTAL REVENUES | \$ 38,018 | | \$ 55,876 | | \$ 53,395 | |
| | | 17.5 | | 26.7 | | 22.1 |

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

(Dollar amounts in thousands)

| | Actual Results for the Years | | | | | |
|---------------------------------------|------------------------------|--------------------|------------------|--------------------|-----------------|--------------------|
| | 2010-2011 | | 2009-2010 | | 2008-2009 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal | \$ 13,821 | 83.7 | \$ 12,538 | 82.4 | \$ 11,275 | 79.2 |
| State meal program | 1,216 | 7.4 | 990 | 6.5 | 867 | 6.1 |
| Food sales | 1,427 | 8.6 | 1,646 | 10.8 | 2,063 | 14.5 |
| Other | 54 | 0.3 | 51 | 0.3 | 35 | 0.2 |
| Total Revenues | <u>16,518</u> | <u>100.0</u> | <u>15,225</u> | <u>100.0</u> | <u>14,240</u> | <u>100.0</u> |
| EXPENDITURES | | | | | | |
| Salaries and employee benefits | 4,639 | 33.1 | 4,550 | 33.1 | 4,710 | 33.1 |
| Food | 6,255 | 46.9 | 5,622 | 46.9 | 6,674 | 46.9 |
| Supplies | 1,888 | 3.7 | 1,404 | 3.7 | 528 | 3.7 |
| Other | 1,494 | 8.7 | 1,080 | 8.7 | 1,237 | 8.7 |
| Total Expenditures | <u>14,276</u> | <u>92.4</u> | <u>12,656</u> | <u>92.4</u> | <u>13,149</u> | <u>92.4</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>2,242</u> | <u>7.6</u> | <u>2,569</u> | <u>7.6</u> | <u>1,091</u> | <u>7.6</u> |
| OTHER FINANCING USES | | | | | | |
| Net financing uses | (1,912) | | - | | - | |
| FUND BALANCE, BEGINNING | 11,044 | | 8,475 | | 6,293 | |
| FUND BALANCE, ENDING | <u>\$ 11,374</u> | | <u>\$ 11,044</u> | | <u>\$ 7,384</u> | |
| ENDING FUND BALANCE TO TOTAL REVENUES | | <u>68.9</u> | | <u>72.5</u> | | <u>51.9</u> |

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

| | 2010-2011 | | 2009-2010 | | 2008-2009 | |
|--------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| TYPE 'A' LUNCHEES | | | | | | |
| Paid | 491,878 | 12.1 | 545,017 | 13.7 | 668,317 | 16.3 |
| Reduced price | 339,734 | 8.3 | 381,903 | 9.5 | 453,063 | 11.1 |
| Free | 3,245,594 | 79.6 | 3,064,464 | 76.8 | 2,973,780 | 72.6 |
| Total Lunches | <u>4,077,206</u> | <u>100.0</u> | <u>3,991,384</u> | <u>100.0</u> | <u>4,095,160</u> | <u>100.0</u> |
| BREAKFAST | | | | | | |
| Paid | 126,817 | 7.6 | 114,137 | 8.0 | 134,040 | 10.0 |
| Reduced price | 108,769 | 6.5 | 100,265 | 7.1 | 118,396 | 8.9 |
| Free | 1,435,534 | 85.9 | 1,207,960 | 84.9 | 1,084,693 | 81.1 |
| Total Breakfast | <u>1,671,120</u> | <u>100.0</u> | <u>1,422,362</u> | <u>100.0</u> | <u>1,337,129</u> | <u>100.0</u> |

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2011

NOTE 1- PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA – State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2011. These unspent balances are reported as legally restricted ending balances within the General Fund.

| | CFDA | |
|---|--------|----------------------|
| | Number | Amount |
| Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities: | | \$ 36,091,052 |
| ARRA - State Fiscal Stabilization Funds | 84,394 | 5,049,399 |
| Medi-Cal Billing Option | 93,778 | 81,883 |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 41,222,334</u> |

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 through 2012-13.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

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

Cafeteria Account Selected Financial Information

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

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INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2011, which collectively comprise Rialto Unified School District's basic financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rialto Unified School District in a separate letter dated December 9, 2011.

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

Wendell June Day

Rancho Cucamonga, California
December 9, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Rialto Unified School District
Rialto, California

Compliance

We have audited Rialto Unified School District's 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 Rialto Unified School District's major Federal programs for the year ended June 30, 2011. Rialto Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Rialto Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rialto Unified School District's compliance with those requirements.

In our opinion, Rialto Unified School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Wendy, New Day CB, LL

Rancho Cucamonga, California
December 9, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Rialto Unified School District
Rialto, California

We have audited Rialto Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Rialto Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Rialto Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Rialto Unified School District's compliance with those requirements.

In our opinion, Rialto Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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

| | Procedures in Audit Guide | Procedures Performed |
|--------------------------|------------------------------|-------------------------|
| Attendance Accounting: | | |
| Attendance reporting | 8 | Yes |
| Kindergarten continuance | 3 | Yes |
| Independent study | 23 | Yes |
| Continuation education | 10 | Yes |

| | Procedures in Audit Guide | Procedures Performed |
|--|------------------------------|-------------------------|
| Instructional Time: | | |
| School districts | 6 | Yes |
| County offices of education | 3 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early retirement incentive | 4 | Yes |
| Gann limit calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Public hearing requirement - receipt of funds | 1 | Yes |
| Class Size Reduction Program (including in Charter Schools): | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| District or charter schools with only one school serving K-3 | 4 | Not Applicable |
| After School Education and Safety Program: | | |
| General requirements | 4 | Yes |
| After school | 4 | Yes |
| Before school | 5 | Not Applicable |
| Charter Schools: | | |
| Contemporaneous records of attendance | 1 | Not Applicable |
| Mode of instruction | 1 | Not Applicable |
| Non classroom-based instruction/independent study | 15 | Not Applicable |
| Determination of funding for non classroom-based instruction | 3 | Not Applicable |
| Annual instruction minutes classroom based | 3 | Not Applicable |

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

Veronica J. Davis, Day & Co., LLP
 Rancho Cucamonga, California
 December 9, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting: No

Material weakness(es) identified? None reported

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

FEDERAL AWARDS

Internal control over major programs: No

Material weakness(es) identified? None reported

Significant deficiency(ies) identified? Unqualified

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? No

Identification of major programs: No

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--|---|
| 84.027, 84.027A, 84.173, 84.173A, 84.391 (ARRA), 84.392 (ARRA) | Special Education (IDEA) Cluster (Including ARRA) |
| 84.010, 84.389 (ARRA) | Title I Grants to Local Educational Agencies Cluster (Including ARRA) |
| 84.394 (ARRA) | State Fiscal Stabilization Fund (ARRA) |
| 10.553, 10.555, 10.556 | Child Nutrition Cluster |
| 93.778 | Medi-Cal Assistance Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,236,670

Auditee qualified as low-risk auditee? No

STATE AWARDS

Type of auditors' report issued on compliance for State programs: Unqualified

**RIALTO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

2010-1 40000

After School Education and Safety Program

Criteria or Specific Requirements

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

Condition

There appears to be no verifiable records that can support instances where students leaving early are in accordance to the program's early release policies adopted by the District. The Early Release Form issued in accordance with the program's early release policies were not always kept as supporting evidence.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The condition identified was identified through review of attendance records from two of the twenty-one sites that operate the after school program, specifically we reviewed one school from each of the 3rd party administrators operating the program. The issue was noted when the auditor attempted to reconcile a sample of 39 students who were signed out early on a specific date during the month of September to the Early Release Forms. All 15 students selected from Frisbie Middle School had Early Release Forms on file. However, 14 of 29 students selected from Boyd Elementary School did not have an Early Release Form on file for the date in which students were released early.

Effect

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(2). There is not sufficient documentation to support whether or not students participated in the full day of the program except as established in the early release policy.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Cause

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

Recommendation

The District should ensure that the Early Release Form adapted for the program is used for all students that are signed out early. The District should include review and follow-up procedures to ensure that the sites operating the program are following the established procedures.

Current Status

Implemented

2010-2 40000

After School Education and Safety Program – Attendance Reporting

Criteria or Specific Requirements

Per California Education Code Section 8483(a)(2), pupils in middle school or junior high school must participate a minimum of nine hours a week and three days a week to accomplish the program goals.

Condition

The administration of the District's After School Education and Safety program has been delegated to an external agency, Athletes for Life (AFL). AFL currently utilizes sign in sheets to document students participating in the program. In reviewing the sign-in sheet, participating students are signing out and documenting the time of sign out. However, the students are not signing in and indicating the time of sign-in. As a result, the auditor was unable to determine if the District is meeting the requirements set forth under California Education Code Section 8483(a)(2).

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the course of reviewing sample source documents used by AFL to record student attendance for the month of September. The review was conducted in an effort to verify the accuracy and consistency of monthly attendance reports being remitted to the District's pass-through entity, which was identified as San Bernardino County Superintendent of Schools.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Effect

The District appears to be unable to demonstrate its compliance with California *Education Code* Section 8483(a)(2), with respect to its ASES program administered at middle schools. The auditor did not associate a fiscal impact to the District as a result of the condition identified. However, for the month tested (September) total students served by AFL were 7,963.

Cause

The third party agency (Athletes for Life) used by the District to administer its middle school After School Education and Safety Program is a new vendor to the District this year and it appears that the vendor was not aware of the District's policy pertaining to sign-in procedures.

Recommendation

The District should clearly communicate its expectation for attendance documentation to Athletes for Life in order to prevent future non-compliance issues. It appears that attendance sign-in sheets currently being used by Athletes for Life incorporates all elements essential for reporting and to demonstrate the District's compliance with California *Education Code* Section 8483(a)(2). The District should also encourage Athletes for Life to fully utilize its attendance sign-in sheets.

Current Status

Implemented

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Governing Board
Rialto Unified School District
Rialto, California

In planning and performing our audit of the financial statements of Rialto Unified School District (the District), for the year ended June 30, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2011, on the financial statements of Rialto Unified School District.

INTERNAL CONTROLS

Risk Management

Observation

The Risk Management Department utilizes a software system known as E-Benefits to track employee and retiree health benefits. This program is separate from the Payroll system and does not integrate with the Payroll system. As a result, Payroll Department employees must manually input all health benefit elections into the Payroll system based on the information provided to them by Risk Management. While the District has a reconciliation process for ensuring that information in E-Benefits agrees with what is billed by the health benefit vendors, the reconciliation process does not include a procedure to compare this same information to what is in the Payroll system. The auditor selected a sample of 30 employees/retirees to determine if the information in E-Benefits agreed with the information in the Payroll system. Out of the 30 people selected for testing, the auditor found two discrepancies where the information in E-Benefits did not match the information in the Payroll System. Further analysis of health benefit accounting on the general ledger (Object code 9564) noted that the District has historically had to make a large adjustment to clear the remaining balance in the account. This may be partially a result of the fact that the District utilizes two systems. There may be other factors contributing to the need for the large adjustment that the District should evaluate.

Recommendation

The District should consider implementing a Risk Management software program for tracking health benefits that will integrate with the Payroll system such as the County system. Not only will this assist in reducing errors resulting from manual input, but it will increase efficiency as there will not be a need for dual input of the health benefit information. Additionally, the District should review procedures related to health benefit accounting to determine if any other issues exist that contribute to the large adjustment to the 9564 object code at year-end.

Governing Board
Rialto Unified School District

Position Control

Observation

The District is currently utilizing a Human Resource system other than the County system. As a result, the position control function is not integrated with the Human Resource or County Payroll systems. This has resulted in the payroll technicians having to manually enter employee information including salary placement in the payroll system. Since the Payroll Department is also responsible for processing payroll, they should not have access to change employee salary placement.

Upon further inquiry with the client, we noted that District Management has developed an independent review procedure in an effort to mitigate this risk. The District reconciles the employee pay status recorded in the Human Resource system to the same information recorded in the Payroll system at the beginning of the year. However, there is no additional review performed during the course of the year for subsequent changes to pay status.

Recommendation

Adequate segregation of duties dictates that a person independent of the payroll function should be responsible for entering employee information and rates of pay into the Human Resource (Personnel) and Payroll system(s) to ensure that unauthorized changes are not made. When the County system is utilized, the Human Resources Department maintains responsibility for entering employee data. This data would then automatically flow through to the Payroll system, where the payroll technicians would then be responsible solely for processing payments to employees. The District could implement the County system to resolve the issue noted. An alternative to this would include an independent review by someone other than Payroll Department staff to ensure that data input by the payroll technicians into the payroll system is properly recorded and that all changes have been approved.

ATTENDANCE

Carter High School

Observation

The auditor noted that two out of the five attendance rosters selected for testing did not contain the teacher signatures on the weekly attendance verification forms for two weeks during the attendance test month.

Recommendation

The site should ensure that procedures established for the weekly verification of attendance are followed by all teachers. Follow-up procedures should be performed when a teacher fails to sign and submit their verification document. The District should follow-up with the site to ensure that all weekly verification forms have been signed and returned to the attendance office.

ASSOCIATED STUDENT BODY

Carter High School

Observation

During the audit over the Associated Student Body's internal controls, we noted the following:

1. Deposits are not being made in a timely manner. Delays in deposit up to 15 days from the date of receipt to the date of deposit were noted. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of cash.
2. Cash overages/shortages as calculated during the end of day sales closeout reports were not reasonably explained or documented.
3. Cash disbursements are not always preapproved by the student body. The auditor noted five out of the 15 cash disbursements tested where the student body approved the purchase request after the goods or services were purchased.
4. Cash disbursements are not adequately supported by invoices. The auditor noted one out of 15 cash disbursements that did not have a purchase request, invoice or receiving documentation as support for the cash disbursement.
5. Cash disbursements are not adequately supported by receiving documentation. The auditor noted one out of 15 cash disbursements that did not have supporting receiving documentation to ensure the goods were actually received.
6. A master ticket control log is not maintained by the site.
7. Inventory balances are not recorded on the balance sheet, therefore perpetual inventory is not maintained at the site. Since there is no accountability for inventory activity, the site is unable to determine if losses have occurred.
8. Per review of the bank reconciliation, the auditor noted a \$15,834 outstanding adjustment. Through inquiry with the ASB clerk, this adjustment was due to a systematic error made by the previous ASB clerk and was not explainable. Further review of bank reconciliations at the beginning of the academic year identified the outstanding adjustments ranged from \$15,000 to \$140,000. We were unable to determine how the errors occurred due to lack of documentation and explanation by the previous ASB clerk; however it appears the outstanding adjustments are acting as a "plug" number to reconcile the bank statements. Additionally, the bank reconciliations are not reviewed by someone other than the preparer, which prolonged the discovery of this activity.

Recommendation

1. Deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should communicate guidelines for such a procedure including the maximum cash on hand that should be maintained at the site. In addition, the site should ensure that year-end closeout procedures include depositing all remaining cash on hand before leaving for the summer.
2. The ASB clerk should determine the reason for cash overages and shortages noted while preparing the bank deposits and document it on the closeout reports that accompany the bank deposits. In addition, any significant discrepancies should be reported to the site administration since this is a loss of cash.
3. The site should ensure all cash disbursements are being preapproved by the ASB prior to purchasing of the goods or services. ASB policy should be communicated to club advisors regarding the disbursement process. Preapproval from the ASB is necessary for all cash disbursements to ensure goods and services being purchased are allowable and necessary for the student body.

Governing Board
Rialto Unified School District

4. All cash disbursements should be adequately supported by documentation. All cash disbursements require a purchase request, invoice, verification of receiving the goods and the applicable approval signatures. Supporting documentation verifies the transactions have actually occurred and the student body as well as administration have approved of the disbursement. Disbursements should not be paid unless the ASB clerk has all supporting documentation to verify occurrence and approval of the order.
5. All expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.
6. The ASB should develop and maintain a master ticket control log. Ticket controls logs ensure that all ticket stock is properly accounted for and prevents their misuse and theft.
7. The ASB should ensure that inventory held for sale has been properly accounted for to ensure accountability of all assets held. All inventory transactions should be documented on the general ledger, including purchases and sales to assist the physical inventory reconciliation process. By summarizing the inventory transactions and arriving at the ending inventory, the ASB has the ability to perform an analysis between the physical inventory and inventory reflected on the general ledger to determine if unusual variances have taken place. The ASB should be recording the cost value of the inventory on the balance sheet so that assets are correctly stated.
8. Any necessary adjustments should be properly documented and reasonably explained. The District should ensure that a bank reconciliation review process is in place by someone other than the preparer of the bank reconciliation to allow for such activity to be identified and followed up on in a timely manner. The District should consider investigating the reason for such a necessary adjustment to the bank reconciliation.

Jehue Middle School

Observations

During the audit over the Associated Student Body's internal controls, we noted the following:

1. Two out of three revenue potential forms tested were not filled out completely.
2. Cash disbursements are not adequately supported by receiving documentation. The auditor noted eight out of ten cash disbursements that did not have supporting receiving documentation to ensure the goods were actually received.
3. Cash disbursements are not always preapproved by the student body. The auditor noted one out of the ten cash disbursements tested where the student body approved the purchase request after the goods or services were purchased.

Governing Board
Rialto Unified School District

Recommendations

1. Revenue potentials must be completely filled out at the end of each fundraiser. The revenue potentials form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned in at the conclusion of the fundraiser.
2. All expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.
3. The site should ensure all cash disbursements are being preapproved by the ASB prior to purchasing of the goods or services. ASB policy should be communicated to club advisors regarding the disbursement process. Preapproval from the ASB is necessary for all cash disbursements to ensure goods and services being purchased are allowable and necessary for the student body.

Vasvinski, J. New Day Co, LLC

Rancho Cucamonga, California
December 9, 2011

