



**RIALTO UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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 from material misstatement.

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

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

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the District has conducted an investigation into the alleged misappropriation of funds specific to the nutrition services program. Our opinion is not modified with respect to this matter as a result of information known to us at this time.

In addition, as discussed in Note 17 to the basic financial statements, the District has reappraised its capital assets, resulting in the restatement of the government-wide financial statement's beginning net assets balance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison and other postemployment benefits information on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rialto Unified School District's basic financial statements. The supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Rialto Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rialto Unified School District's internal control over financial reporting and compliance.

VADINSK, TRINS, Day + Co, LLP

Rancho Cucamonga, California
December 16, 2013

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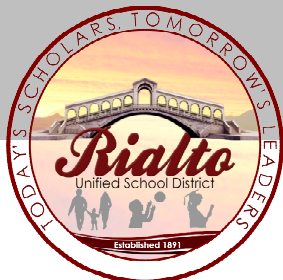
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Rialto Unified School District

This section of Rialto Unified School District's (the District) 2012-2013 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30 2013, with comparative information for June 30, 2012. 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, 2013

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Business-type Activities - 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, 2013

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position*. 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 Position*. 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, 2013

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$280.6 million for the fiscal year ended June 30, 2013, and \$289.4 million for the fiscal year ended June 30, 2012. Of this amount, \$15.3 million and \$10.9 million were unrestricted for June 30, 2013 and 2012, respectively. Restricted net position 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 that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		District Activities	
	2013	2012, As Restated	2013	2012, As Restated	2013	2012, As Restated
Assets						
Current and other assets	\$ 107.7	\$ 108.0	\$ 12.2	\$ 12.3	\$ 119.9	\$ 120.3
Capital assets	323.3	318.9	5.5	5.9	328.8	324.8
Total Assets	431.0	426.9	17.7	18.2	448.7	445.1
Liabilities						
Current liabilities	53.4	40.4	0.1	-	53.5	40.4
Long-term obligations	114.6	115.3	-	-	114.6	115.3
Total Liabilities	168.0	155.7	0.1	-	168.1	155.7
Net Position						
Net investment in capital assets	233.4	239.8	5.4	5.8	238.8	245.6
Restricted	14.3	20.5	12.2	12.4	26.5	32.9
Unrestricted	15.3	10.9	-	-	15.3	10.9
Total Net Position	\$ 263.0	\$ 271.2	\$ 17.6	\$ 18.2	\$ 280.6	\$ 289.4

The \$15.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by three percent (\$280.6 million compared to \$289.4 million).

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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		District Activities	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 0.3	\$ 0.3	\$ 1.6	\$ 1.5	\$ 1.9	\$ 1.8
Operating grants and contributions	45.2	58.4	14.3	14.6	59.5	73.0
Capital grants and contributions	3.1	1.6	-	-	3.1	1.6
General revenues:						
Federal and State aid not restricted	144.6	148.4	-	-	144.6	148.4
Property taxes	18.9	14.0	-	-	18.9	14.0
Other general revenues	11.4	3.3	-	-	11.4	3.3
Total Revenues	223.5	226.0	15.9	16.1	239.4	242.1
Expenses						
Instruction-related	166.4	173.2	-	-	166.4	173.2
Student support services	18.2	18.8	-	-	18.2	18.8
Administration	14.9	15.0	-	-	14.9	15.0
Maintenance and operations	26.1	28.5	-	-	26.1	28.5
Food services	-	-	14.5	13.8	14.5	13.8
Other	8.1	5.8	-	-	8.1	5.8
Total Expenses	233.7	241.3	14.5	13.8	248.2	255.1
Transfers	2.0	0.2	(2.0)	(0.2)	-	-
Change in Net Position	\$ (8.2)	\$ (15.1)	\$ (0.6)	\$ 2.1	\$ (8.8)	\$ (13.0)

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 16, the cost of all of the District's governmental activities this year was \$233.7 million and \$241.3 million for June 30, 2013 and 2012, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$18.9 million and \$14.0 million for June 30, 2013 and 2012. The cost paid by those who benefited from the programs was \$1.9 million and \$1.8 million for June 30, 2013 and 2012, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$62.6 million and \$74.6 million for June 30, 2013 and 2012, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$156.0 million and \$151.7 for June 30, 2013 and 2012, respectively, in Federal and 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 governmental activity functions - regular program instruction, instruction-related programs, school administration, Home-To-School transportation, other pupil services, general 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

(Amounts in millions)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 137.7	\$ 143.6	\$ 107.9	\$ 104.8
Instruction-related activities	12.7	13.4	5.0	4.8
School administration	16.0	16.2	13.5	13.4
Home-to-school transportation	4.5	4.5	3.7	3.7
Other pupil services	13.7	14.3	9.1	9.5
General administration	14.9	15.0	12.4	12.0
Plant services	26.1	28.5	26.0	28.0
Other	8.1	5.8	7.5	4.8
Total	\$ 233.7	\$ 241.3	\$ 185.1	\$ 181.0

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$50.6 million as of June 30, 2013, which is a decrease of \$12.7 million from last year (Table 4).

Table 4

(Amounts in millions)

	Balances and Activity			
	July 1, 2012	Revenues	Expenditures	June 30, 2013
General Fund	\$ 32.7	\$ 211.1	\$ 215.5	\$ 28.3
Building Fund	19.1	0.1	9.9	9.3
Child Development Fund	0.2	3.1	3.1	0.2
Capital Facilities Fund	1.7	0.9	1.0	1.6
County School Facilities Fund	1.1	3.1	2.8	1.4
Special Reserve Fund for Capital Outlay Projects	2.7	2.1	0.8	4.0
Bond Interest and Redemption Fund	5.8	4.9	4.9	5.8
COP Debt Service Fund	-	-	-	-
Total	\$ 63.3	\$ 225.3	\$ 238.0	\$ 50.6

The primary reasons for these decreases are:

- The General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$4.4 million to \$28.3 million. This decrease is due to the decrease in State revenue limit.
- The Building Fund has showed a net decrease of approximately \$9.8 million due to the initiation of Measure Y funded projects.

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 26, 2013. 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 61.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013 and 2012, the District had \$328.8 million and \$324.8 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$4.0 million from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012,		2012,		2012	
	2013	As Restated	2013	As Restated	2013	As Restated
Land and construction in progress	\$ 71.2	\$ 55.6	\$ -	\$ -	\$ 71.2	\$ 55.6
Buildings and improvements	249.0	259.4	4.9	5.2	253.9	264.6
Furniture and equipment	3.1	3.9	0.6	0.7	3.7	4.6
Total	\$ 323.3	\$ 318.9	\$ 5.5	\$ 5.9	\$ 328.8	\$ 324.8

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 2013-2014 year. We anticipate major capital additions to be \$12.5 million for the 2013-2014 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, 2013

Long-Term Obligations

At the end of this year, the District had \$114.6 million in long-term obligations outstanding versus \$115.3 million last year, a slight decrease from the previous year.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds (financed with property taxes)	\$ 89.1	\$ 89.7	\$ -	\$ -	\$ 89.1	\$ 89.7
Certificates of participation	6.8	6.8	-	-	6.8	6.8
Child care facilities revolving fund	0.1	0.1	-	-	0.1	0.1
City of Rialto	5.7	5.7	-	-	5.7	5.7
Other	12.9	13.0	-	-	12.9	13.0
Total	\$ 114.6	\$ 115.3	\$ -	\$ -	\$ 114.6	\$ 115.3

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 \$89.1 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), as well as other obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Financial

1. Projected student enrollment decline of 0.6 percent.
2. 1.565 percent Cost of Living Adjustment (COLA) on revenue limit has been included and all other revenues with a 22.272 percent deficit.
3. Negotiations with unions for salary increases are settled or tentatively settled in 2013-2014.
4. A \$1,326 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.

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	32:1	1,960
Grades one through three	32:1	6,033
Grades four through six	32:1	6,322
Grades seven through eight	28:1	3,961
Grades nine through twelve	28:1	8,209
Total		<u>26,485</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 Interim Superintendent, Business Services, at Rialto Unified School District, 182 E. Walnut Avenue, Rialto, California, 92376, or e-mail at mislam@rialto.k12.ca.us.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Deposits and investments	\$ 56,412,096	\$ 10,861,439	\$ 67,273,535
Receivables	45,735,689	1,650,388	47,386,077
Internal balances	654,426	(654,426)	-
Prepaid expenses	46,347	-	46,347
Deferred charges on bond refunding	2,545,274	-	2,545,274
Stores inventories	160,886	387,512	548,398
Deferred cost on issuance	2,145,027	-	2,145,027
Capital assets:			
Land and work in process	71,198,076	-	71,198,076
Other capital assets	383,884,626	8,360,443	392,245,069
Less: accumulated depreciation	<u>(131,743,067)</u>	<u>(2,892,804)</u>	<u>(134,635,871)</u>
Total Capital Assets	<u>323,339,635</u>	<u>5,467,639</u>	<u>328,807,274</u>
Total Assets	<u>431,039,380</u>	<u>17,712,552</u>	<u>448,751,932</u>
LIABILITIES			
Accounts payable	19,144,275	73,248	19,217,523
Accrued interest payable	966,119	-	966,119
Deferred revenue	366,085	-	366,085
Current loans	32,912,000	-	32,912,000
Long-term obligations:			
Current portion of long-term obligations	5,921,359	-	5,921,359
Noncurrent portion of long-term obligations	<u>108,696,186</u>	<u>-</u>	<u>108,696,186</u>
Total Long-Term Obligations	<u>114,617,545</u>	<u>-</u>	<u>114,617,545</u>
Total Liabilities	<u>168,006,024</u>	<u>73,248</u>	<u>168,079,272</u>
NET POSITION			
Net investment in capital assets	233,430,246	5,467,639	238,897,885
Restricted for:			
Debt service	4,887,467	-	4,887,467
Capital projects	3,017,259	-	3,017,259
Educational programs	6,219,368	-	6,219,368
Other activities	159,912	11,777,058	11,936,970
Unrestricted	<u>15,319,104</u>	<u>394,607</u>	<u>15,713,711</u>
Total Net Position	<u>\$ 263,033,356</u>	<u>\$ 17,639,304</u>	<u>\$ 280,672,660</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction	\$ 137,737,690	\$ 5,869	\$ 26,728,771	\$ 3,057,061
Instruction-related activities:				
Supervision of instruction	9,769,269	3	7,587,515	-
Instructional library, media, and technology	2,899,144	-	106,970	-
School site administration	15,969,627	-	2,470,369	-
Pupil services:				
Home-to-school transportation	4,514,441	-	847,749	-
Food services	282	-	-	-
All other pupil services	13,690,773	-	4,606,528	-
Administration:				
Data processing	3,498,816	10,771	9,068	-
All other administration	11,404,174	86	2,489,731	-
Plant services	26,069,473	5,893	82,516	-
Facility acquisition and construction	669,293	-	-	-
Community services	8,711	-	8,232	-
Interest on long-term obligations	6,174,625	-	-	-
Other outgo	1,285,587	287,117	280,637	-
Total Governmental Activities	<u>233,691,905</u>	<u>309,739</u>	<u>45,218,086</u>	<u>3,057,061</u>
Business-Type Activities				
Food services	14,525,116	1,560,727	14,299,088	-
Total Business-Type Activities	<u>\$ 14,525,116</u>	<u>\$ 1,560,727</u>	<u>\$ 14,299,088</u>	<u>\$ -</u>

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
- Miscellaneous

Subtotal, General Revenues

Excess (Deficiency) of Revenues Over Expenses

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Governmental Activities	Business- Type Activities	Total
\$ (107,945,989)	\$ -	\$ (107,945,989)
(2,181,751)	-	(2,181,751)
(2,792,174)	-	(2,792,174)
(13,499,258)	-	(13,499,258)
(3,666,692)	-	(3,666,692)
(282)	-	(282)
(9,084,245)	-	(9,084,245)
(3,478,977)	-	(3,478,977)
(8,914,357)	-	(8,914,357)
(25,981,064)	-	(25,981,064)
(669,293)	-	(669,293)
(479)	-	(479)
(6,174,625)	-	(6,174,625)
(717,833)	-	(717,833)
<u>(185,107,019)</u>	<u>-</u>	<u>(185,107,019)</u>
-	1,334,699	1,334,699
<u>-</u>	<u>1,334,699</u>	<u>1,334,699</u>
13,774,747	-	13,774,747
4,350,128	-	4,350,128
796,577	-	796,577
144,635,482	-	144,635,482
731,866	47,053	778,919
10,647,743	-	10,647,743
<u>174,936,543</u>	<u>47,053</u>	<u>174,983,596</u>
(10,170,476)	1,381,752	(8,788,724)
2,000,000	(2,000,000)	-
<u>166,766,067</u>	<u>(571,195)</u>	<u>174,983,596</u>
(8,170,476)	(618,248)	(8,788,724)
271,203,832	18,257,552	289,461,384
<u>\$ 263,033,356</u>	<u>\$ 17,639,304</u>	<u>\$ 280,672,660</u>

RIALTO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Deposits and investments	\$ 29,817,723	\$ 12,493,739	\$ 14,100,634	\$ 56,412,096
Receivables	45,402,159	10,279	323,251	45,735,689
Due from other funds	1,111,226	-	-	1,111,226
Prepaid expenditures	46,347	-	-	46,347
Stores inventories	160,886	-	-	160,886
Total Assets	<u>\$ 76,538,341</u>	<u>\$ 12,504,018</u>	<u>\$ 14,423,885</u>	<u>\$ 103,466,244</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,977,082	\$ 3,232,408	\$ 934,785	\$ 19,144,275
Due to other funds	-	1,406	455,394	456,800
Deferred revenue	326,285	-	39,800	366,085
Current loans	32,912,000	-	-	32,912,000
Total Liabilities	<u>48,215,367</u>	<u>3,233,814</u>	<u>1,429,979</u>	<u>52,879,160</u>
Fund Balances:				
Nonspendable	287,233	-	-	287,233
Restricted	6,219,368	9,270,204	9,030,757	24,520,329
Assigned	3,958,256	-	3,963,149	7,921,405
Unassigned	17,858,117	-	-	17,858,117
Total Fund Balances	<u>28,322,974</u>	<u>9,270,204</u>	<u>12,993,906</u>	<u>50,587,084</u>
Total Liabilities and Fund Balances	<u>\$ 76,538,341</u>	<u>\$ 12,504,018</u>	<u>\$ 14,423,885</u>	<u>\$ 103,466,244</u>

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 POSITION
JUNE 30, 2013**

Total Fund Balance - Governmental Funds	\$ 50,587,084
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 455,082,702
Accumulated depreciation is	<u>(131,743,067)</u>
Net Capital Assets	323,339,635
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but are not recognized in the accrual basis.	
Deferred cost on issuance	2,145,027
The District has refunded debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2013.	
	2,545,274
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.	
	(966,119)
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	(8,380,726)
2010 General Obligation Bonds	(36,627,187)
2012 General Obligation Refunding Bonds	(29,365,000)
2006 Certificates of Participation	(3,325,000)
1997 Refunding Certificates of Participation	(3,515,000)
Premium on debt issuances	(3,758,082)
Discount on debt issuances	905,246
Child Care Facilities Revolving Fund	(104,000)
City of Rialto Redevelopment Agency Loan	(5,715,258)
Early retirement plan and incentives	(5,344,284)
Accumulated vacation (net)	(854,520)
Other postemployment benefits (OPEB)	(6,693,874)
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	
	(11,839,860)
Total Long-Term Obligations	(114,617,545)
Total Net Position - Governmental Activities	<u><u>\$ 263,033,356</u></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, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Revenue limit sources	\$ 137,956,738	\$ -	\$ -	\$ 137,956,738
Federal sources	14,340,584	-	-	14,340,584
Other State sources	44,065,660	-	5,706,978	49,772,638
Other local sources	14,731,918	82,482	6,339,004	21,153,404
Total Revenues	<u>211,094,900</u>	<u>82,482</u>	<u>12,045,982</u>	<u>223,223,364</u>
EXPENDITURES				
Current				
Instruction	126,709,749	-	2,049,141	128,758,890
Instruction-related activities:				
Supervision of instruction	9,671,627	-	75,645	9,747,272
Instructional library, media and technology	2,890,326	-	-	2,890,326
School site administration	15,308,292	-	615,276	15,923,568
Pupil services:				
Home-to-school transportation	4,504,757	-	-	4,504,757
Food services	282	-	-	282
All other pupil services	13,155,420	-	47,896	13,203,316
Administration:				
Data processing	3,491,419	-	-	3,491,419
All other administration	10,611,841	-	207,126	10,818,967
Plant services	24,768,397	-	116,880	24,885,277
Facility acquisition and construction	2,003,470	9,870,682	4,528,698	16,402,850
Community services	8,673	-	-	8,673
Other outgo	987,522	-	-	987,522
Debt service				
Principal	-	-	3,560,129	3,560,129
Interest and other	1,115,268	-	1,648,614	2,763,882
Total Expenditures	<u>215,227,043</u>	<u>9,870,682</u>	<u>12,849,405</u>	<u>237,947,130</u>
Deficiency of Revenues				
Over Expenditures	<u>(4,132,143)</u>	<u>(9,788,200)</u>	<u>(803,423)</u>	<u>(14,723,766)</u>
Other Financing Sources (Uses)				
Transfers in	2,385	-	2,295,680	2,298,065
Transfers out	(295,680)	(2,385)	-	(298,065)
Net Financing Sources (Uses)	<u>(293,295)</u>	<u>(2,385)</u>	<u>2,295,680</u>	<u>2,000,000</u>
NET CHANGE IN FUND BALANCES	<u>(4,425,438)</u>	<u>(9,790,585)</u>	<u>1,492,257</u>	<u>(12,723,766)</u>
Fund Balances - Beginning	<u>32,748,412</u>	<u>19,060,789</u>	<u>11,501,649</u>	<u>63,310,850</u>
Fund Balances - Ending	<u>\$ 28,322,974</u>	<u>\$ 9,270,204</u>	<u>\$ 12,993,906</u>	<u>\$ 50,587,084</u>

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, 2013**

Total Net Change in Fund Balances - Governmental Funds \$ (12,723,766)
Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

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

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

Capital outlays	\$ 15,733,589	
Depreciation expense	(11,301,410)	
Net Expense Adjustment		4,432,179

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 excess of amounts earned of \$469,696. Vacation earned was more than the amounts paid by \$57,053.

412,643

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 less than the annual required contribution.

(440,918)

Governmental funds report the effect of premiums and issuance costs on an issuance and refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Cost of issuance	(20,201)	
Deferred charges on refunding	(252,952)	
Combined Adjustment		(273,153)

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, 2013**

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 Position and does not affect the Statement of Activities:

1999 General Obligation Bonds	\$ 3,021,129
2012 General Obligation Refunding Bonds	500,000
Child Care Facilities Revolving Fund	39,000

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: 311,201

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 \$255,763 and second, \$3,193,028 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (3,448,791)

Change in Net Position of Governmental Activities \$ (8,170,476)

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Business-Type Activities
	Enterprise Fund
	Nutrition Services
ASSETS	
Current Assets	
Deposits and investments	\$ 10,861,439
Receivables	1,650,388
Stores inventories	387,512
Total Current Assets	12,899,339
Noncurrent Assets	
Capital assets	8,360,443
Less: accumulated depreciation	(2,892,804)
Total Noncurrent Assets	5,467,639
Total Assets	18,366,978
LIABILITIES	
Current Liabilities	
Accounts payable	73,248
Due to other funds	654,426
Total Current Liabilities	727,674
NET POSITION	
Net investment in capital assets	5,467,639
Unrestricted	394,607
Restricted	11,777,058
Total Net Position	\$ 17,639,304

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities
	Enterprise Funds
	Nutrition Services
OPERATING REVENUES	
Local and intermediate sources	\$ 1,560,727
OPERATING EXPENSES	
Payroll costs	5,065,251
Supplies and materials	7,966,176
Other operating cost	1,068,114
Depreciation expense	425,575
Total Operating Expenses	14,525,116
Operating Loss	(12,964,389)
NONOPERATING REVENUES (EXPENSES)	
Interest income	47,053
Transfers out	(2,000,000)
Federal Grants	13,254,814
State Grants	1,044,274
Total Nonoperating Revenues	12,346,141
Change in Net Position	(618,248)
Total Net Position - Beginning	18,257,552
Total Net Position - Ending	\$ 17,639,304

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, 2013**

	Business-Type Activities
	Enterprise Funds
	Major Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 3,139,771
Cash payments to other suppliers of goods or services	(7,901,126)
Cash payments to employees for services	(5,065,251)
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	276,890
Other operating cash payments	(1,068,114)
Net Cash Flows Used in Operating Activities	<u>(10,617,830)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	14,299,088
Transfers to other fund	(2,000,000)
Net Cash Provided by Noncapital Financing Activities	<u>12,299,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(5,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>47,053</u>
Net Increase in Cash and Cash Equivalents	1,722,391
Cash and Cash Equivalents - Beginning	9,139,048
Cash and Cash Equivalents - Ending	<u>\$ 10,861,439</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (12,964,389)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	425,575
Changes in assets and liabilities:	
Receivables	1,579,044
Inventories	(6,304)
Accounts payable	71,354
Due to other funds	276,890
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (10,617,830)</u>

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$908,318 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 POSITION
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 633,693
Stores inventories	25,903
Total Assets	<u><u>\$ 659,596</u></u>
 LIABILITIES	
Accounts payable	\$ 2,012
Due to student groups	657,584
Total Liabilities	<u><u>\$ 659,596</u></u>

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 TK-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary schools, five middle schools, three high schools, one continuation high school, an alternative high school, an adult education school, a preschool program, and an infant program.

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.

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, 2013

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

Major Governmental Funds

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

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 from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of 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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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).

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 debt.

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 funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has 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.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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).

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Net position 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 position 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 position. The statement of changes in fund net position 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.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Investments

Investments held at June 30, 2013, 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 and fiduciary type funds when used.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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 \$5,000, effective April 10, 2013. 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 Position. 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 is 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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Current Loans

Current loans consist of amounts outstanding at June 30, 2012, for Tax Revenue and Anticipation Notes and County Treasury loan. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes and loan.

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 long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. 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, 2013

Fund Balances - Governmental Funds

As of June 30, 2013, 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 - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$14,284,006 of restricted net position.

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, 2013

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 June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,412,096
Business-type activities	10,861,439
Fiduciary funds	633,693
Total Deposits and Investments	<u>\$ 67,907,228</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 11,488,037
Cash in revolving	87,095
Cash with fiscal agent/trustee	178
Collections awaiting deposit	350,547
Investments	55,981,371
Total Deposits and Investments	<u>\$ 67,907,228</u>

Policies and Practices

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 \$55,942,876. The average weighted maturity for this pool is 381 days. The First American Treasury Obligations Money Market Mutual Funds the District maintains has a fair value of approximately \$178 with an average weighted maturity of 54 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.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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. The District has secured a collateralized agreement having a net worth of \$11,000,000. As of June 30, 2013, the District's bank balance of \$11,421,266 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, however, the collateralized securities are not pledged specifically in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Business-Type Activities Enterprise Fund
Federal Government					
Categorical aid	\$ 2,701,239	\$ -	\$ -	\$ 2,701,239	\$ 1,509,688
State Government					
Apportionment	31,717,588	-	-	31,717,588	-
Categorical aid	4,600,762	-	220,874	4,821,636	126,641
Lottery	2,085,951	-	-	2,085,951	-
Local Government					
Due from SELPA	4,107,390	-	95,686	4,203,076	-
Interest	21,077	10,279	6,613	37,969	-
Other local sources	168,152	-	78	168,230	14,059
Total	<u>\$ 45,402,159</u>	<u>\$ 10,279</u>	<u>\$ 323,251</u>	<u>\$ 45,735,689</u>	<u>\$ 1,650,388</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012, As Restated	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in process	15,838,034	15,607,557	-	31,445,591
Total Capital Assets Not Being Depreciated	55,590,519	15,607,557	-	71,198,076
Capital Assets Being Depreciated				
Land improvements	14,597,181	-	-	14,597,181
Buildings and improvements	353,247,908	-	-	353,247,908
Furniture and equipment	15,913,505	126,032	-	16,039,537
Total Capital Assets Being Depreciated	383,758,594	126,032	-	383,884,626
Less Accumulated Depreciation				
Land improvements	9,346,845	478,519	-	9,825,364
Buildings and improvements	99,061,053	9,954,549	-	109,015,602
Furniture and equipment	12,033,759	868,342	-	12,902,101
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	120,441,657	11,301,410	-	131,743,067
	<u>\$ 318,907,456</u>	<u>\$ 4,432,179</u>	<u>\$ -</u>	<u>\$ 323,339,635</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 6,488,991	\$ -	\$ -	\$ 6,488,991
Furniture and equipment	1,865,532	5,920	-	1,871,452
Total Capital Assets Being Depreciated	8,354,523	5,920	-	8,360,443
Less Accumulated Depreciation				
Buildings and improvements	1,292,738	317,978	-	1,610,716
Furniture and equipment	1,174,491	107,597	-	1,282,088
Total Accumulated Depreciation Business-Type Activities Capital Assets, Net	2,467,229	425,575	-	2,892,804
	<u>\$ 5,887,294</u>	<u>\$ (419,655)</u>	<u>\$ -</u>	<u>\$ 5,467,639</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Governmental Activities

Instruction	\$ 9,154,142
All other pupil services	452,056
All other general administration	565,071
Plant services	1,130,141
Total Depreciation Expenses Governmental Activities	<u>11,301,410</u>

Business-Type Activities

Nutrition services	425,575
Total Depreciation Expenses All Activities	<u><u>\$ 11,726,985</u></u>

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, 2013, between major and non-major governmental funds, and major enterprise funds are as follows:

Due To	Due From			Total
	Building Fund	Non-Major Governmental Funds	Food Service Enterprise Fund	
General Fund	\$ 1,406	\$ 455,394	\$ 654,426	<u>\$ 1,111,226</u>

The balance of \$1,406 due to the General Fund from the Building Fund resulted from benefits costs to be reimbursed.

The balance of \$455,394 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from salaries, benefits, and indirect costs to be reimbursed.

The balance of \$654,426 due to the General Fund from the Food Service Enterprise Fund resulted from salaries, benefits, indirect and operating costs to be reimbursed.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Operating Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From			
	General Fund	Building Fund	Food Services Enterprise Fund	Total
General Fund	\$ -	\$ 2,385	\$ -	\$ 2,385
Non-Major Governmental Funds	295,680	-	2,000,000	2,295,680
Total	<u>\$ 295,680</u>	<u>\$ 2,385</u>	<u>\$ 2,000,000</u>	<u>\$ 2,298,065</u>

The General Fund transferred to the COP Debt Service Non-Major Governmental Fund for debt service payments.	\$ 295,680
The Building Fund transferred to the General Fund to reimburse construction costs.	2,385
The Food Services Enterprise Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for future capital projects.	<u>2,000,000</u>
Total	<u>\$ 2,298,065</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ 6,065,360	\$ -	\$ 83,410	\$ 6,148,770	\$ -	\$ -
State apportionment	4,100,125	-	1,102	4,101,227	-	-
Books and supplies	418,778	-	-	418,778	-	-
Services	4,115,168	36,175	22,527	4,173,870	-	-
Construction	94,255	3,196,233	827,521	4,118,009	-	-
All other payables	183,396	-	225	183,621	73,248	2,012
Total	<u>\$ 14,977,082</u>	<u>\$ 3,232,408</u>	<u>\$ 934,785</u>	<u>\$ 19,144,275</u>	<u>\$ 73,248</u>	<u>\$ 2,012</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 326,285	\$ 20,000	\$ 346,285
State categorical aid	-	19,800	19,800
Total	<u>\$ 326,285</u>	<u>\$ 39,800</u>	<u>\$ 366,085</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On February 14, 2012, the District issued \$24,920,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on October 2012. By October 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

On July 1, 2012, the District issued \$17,860,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on February 1, 2013. By January 2013, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

The District issued \$39,655,000 of Tax and Revenue Anticipation Notes dated February 20, 2013, through the California School Cash Reserve Program Authority. The notes mature on October 1, 2013, and yield 2.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning June 2013, until 100 percent of principal and interest due is on account in August 2013.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
February 14, 2012	2.00%	10/1/2012	\$ 24,920,000	-	\$ 24,920,000	-
July 1, 2012	2.00%	2/1/2013	-	17,860,000	17,860,000	-
February 20, 2013	2.00%	10/1/2013	-	39,655,000	6,743,000	32,912,000
			<u>\$ 24,920,000</u>	<u>\$ 57,515,000</u>	<u>\$ 49,523,000</u>	<u>\$ 32,912,000</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
1999 General Obligation Bonds, Series A	\$ 14,459,924	\$ 905,067	\$ 1,661,129	\$ 13,703,862	\$ 1,660,784
1999 General Obligation Bonds, Series B	1,385,000	-	680,000	705,000	705,000
Premium on Issuance	154,125	-	77,063	77,062	-
1999 General Obligation Bonds, Series C	2,130,000	-	680,000	1,450,000	710,000
Premium on Issuance	119,410	-	119,410	-	-
2010 General Obligation Bonds, Series 2011A	29,005,950	2,287,961	-	31,293,911	-
Premium on Issuance	2,246,515	-	78,253	2,168,262	-
2010 General Obligation Bonds, Series 2011B	9,695,000	-	-	9,695,000	-
Discount on Issuance	(976,479)	-	(71,233)	(905,246)	-
General Obligation Refunding Bonds, Series 2012	29,865,000	-	500,000	29,365,000	200,000
Premium on Issuance	1,608,812	-	107,254	1,501,558	-
2006 Certificates of Participation	3,325,000	-	-	3,325,000	-
1997 Refunding Certificates of Participation	3,515,000	-	-	3,515,000	-
Child Care Facilities Revolving Fund	143,000	-	39,000	104,000	26,000
City of Rialto Redevelopment Agency Loan	5,715,258	-	-	5,715,258	172,835
Premium on Issuance	11,654	-	454	11,200	-
Supplemental Early Retirement Plan (SERP)	4,548,368	-	230,897	4,317,471	2,288,531
Early Retirement Incentive	1,265,612	-	238,799	1,026,813	158,209
Accumulated vacation - net	797,467	57,053	-	854,520	-
Other postemployment benefits	6,252,956	3,606,261	3,165,343	6,693,874	-
	<u>\$ 115,267,572</u>	<u>\$ 6,856,342</u>	<u>\$ 7,506,369</u>	<u>\$ 114,617,545</u>	<u>\$ 5,921,359</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Fiscal	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding End of Year
	Year-End Maturity Date			Beginning of Year	Accreted	Redeemed	
6/1/2000	2025	4.75-6.25%	\$ 19,995,038	\$ 14,459,924	\$ 905,067	\$ 1,661,129	\$ 13,703,862
1/24/2003	2027	4.00-6.00%	20,000,000	1,385,000	-	680,000	705,000
5/5/2004	2028	3.00-5.125%	20,000,000	2,130,000	-	680,000	1,450,000
3/17/2011	2042	7.35-7.50%	26,932,187	29,005,950	2,287,961	-	31,293,911
3/17/2011	2027	5.28-6.91%	9,695,000	9,695,000	-	-	9,695,000
5/17/2012	2029	2.00-5.00%	29,865,000	29,865,000	-	500,000	29,365,000
				<u>\$ 86,540,874</u>	<u>\$ 3,193,028</u>	<u>\$ 3,521,129</u>	<u>\$ 86,212,773</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 (accreting to \$38,730,000) in order to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2025, with interest rates varying from 4.75 to 6.25 percent. At June 30, 2013, 1999 General Obligation Refunding Bonds, Series A, totaling \$13,703,862 were still outstanding.

1999 General Obligation Bonds, Series B

On May 17, 2012, the District issued the General Obligation Refunding Bonds, Series 2012, in the amount of \$29,865,000, to advance refund \$14,225,000 of the 1999 General Obligation Bonds, Series B. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. The bonds have a maturity date of August 1, 2027, with interest rates varying from 4.00-6.00 percent. As of June 30, 2013, the principal balance outstanding is \$705,000.

1999 General Obligation Bonds, Series C

On May 17, 2012, the District issued the General Obligation Refunding Bonds, Series 2012, in the amount of \$29,865,000, to advance refund \$14,290,000 of the 1999 General Obligation Bonds, Series C. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. The bonds have a maturity date of August 1, 2028, with interest rates varying from 3.00-5.125 percent. As of June 30, 2013, the principal balance outstanding is \$1,450,000.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 7.50 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 the conversion date and a final maturity date of August 1, 2041 at an interest rate of 7.35 percent. At June 30, 2013, 2010 General Obligation Bonds, Series 2011A, totaling \$31,293,911 were still outstanding.

2010 General Obligation Bonds, Series 2011B

One March 17, 2011, the District issued the 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000 in order to raise money to finance specific construction. The bonds have a final maturity date of August 1, 2026, with interest rates varying from 5.28 to 6.91 percent. At June 30, 2013, 2010 General Obligation Refunding Bonds, Series 2011B, totaling \$9,695,000 were still outstanding.

General Obligation Refunding Bonds, Series 2012

On May 17, 2012, the District issued the \$29,865,000 General Obligation Refunding Bonds, Series 2012. The bonds have a final maturity that occurs August 1, 2028, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$31,100,676 from the issuance (issuance of \$29,865,000 net of premium received of \$1,716,066 and costs incurred on issuance of \$480,390) were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C, with the prepayment to occur on August 1, 2013 and August 1, 2014, respectively. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,545,274 remain to be amortized using the straight-line method. At June 30, 2013, the principal balance outstanding on the 2002 General Obligation Refunding Bonds, 2011 Series A was \$29,365,000.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

The General Obligation Bonds mature as follows:

Year Ending June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2014	\$ 3,178,620	\$ 97,164	\$ 1,655,111	\$ 4,930,895
2015	3,098,076	188,764	1,597,964	4,884,804
2016	3,041,015	274,759	1,549,489	4,865,263
2017	3,005,919	356,100	1,499,164	4,861,183
2018	2,979,305	432,425	1,438,664	4,850,394
2019-2023	18,107,510	3,198,336	5,733,138	27,038,984
2024-2028	21,287,862	5,826,944	7,492,457	34,607,263
2029-2033	6,652,189	17,832,699	18,847,850	43,332,738
2034-2038	8,329,542	26,439,745	18,535,781	53,305,068
2039-2042	16,532,735	26,817,265	6,847,627	50,197,627
Total	<u>\$ 86,212,773</u>	<u>\$ 81,464,201</u>	<u>\$ 65,197,245</u>	<u>\$ 232,874,219</u>

2006 Certificates of Participation

In June 2006, the District or corporation 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 final 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, were used to finance the cost of acquisition and improvement of certain school facilities and land. At June 30, 2013, 2006 Certificates of Participation totaling \$3,325,000 were still outstanding.

The Certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 141,788	\$ 141,788
2015	150,000	138,975	288,975
2016	155,000	133,159	288,159
2017	165,000	126,856	291,856
2018	170,000	120,156	290,156
2019-2023	960,000	488,766	1,448,766
2024-2028	1,175,000	260,763	1,435,763
2029-2032	550,000	25,500	575,500
Total	<u>\$ 3,325,000</u>	<u>\$ 1,435,963</u>	<u>\$ 4,760,963</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1997 Refunding Certificates of Participation

In September 1997, the Rialto Unified School District Facilities Corporation issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. The certificates have a maturity date of September 1, 2027, with an interest rate of 4.65 percent. As of June 30, 2013, 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
2014	\$ -	\$ 153,874	\$ 153,874
2015	440,000	144,854	584,854
2016	455,000	126,165	581,165
2017	480,000	106,176	586,176
2018	500,000	84,856	584,856
2019-2020	1,640,000	114,178	1,754,178
Total	<u>\$ 3,515,000</u>	<u>\$ 730,103</u>	<u>\$ 4,245,103</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, 2013, the outstanding balance was \$104,000.

Year Ending June 30,	Total Payments
2014	\$ 26,000
2015	26,000
2016	26,000
2017	26,000
Total	<u>\$ 104,000</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA.

During 2008, the District borrowed an additional \$3,390,000 to complete the project. 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, 2013, the outstanding balance was \$5,715,258.

The RDA has since been dissolved and debt service payments are now paid directly to the City of Rialto.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 172,835	\$ 586,434	\$ 759,269
2015	92,474	288,150	380,624
2016	98,179	284,363	382,542
2017	99,588	280,226	379,814
2018	105,292	275,924	381,216
2019-2023	601,186	1,301,310	1,902,496
2024-2028	769,227	1,132,561	1,901,788
2029-2033	1,886,168	846,393	2,732,561
2034-2038	1,890,309	283,588	2,173,897
Total	<u>\$ 5,715,258</u>	<u>\$ 5,278,949</u>	<u>\$ 10,994,207</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the balance remaining was \$4,317,471. Future payments are as follows:

Year Ending June 30,	Total Payments
2014	\$ 2,288,531
2015	1,761,070
2016	133,935
2017	133,935
Total	<u>\$ 4,317,471</u>

Early Retirement Incentive

The District adopted an early retirement incentive program whereby certain eligible employees are provided cash payments starting in 2012-2013, for a period of eight years. The cash incentives were provided for 27 employees during the 2011-2012 school year. As of June 30, 2013, the balance remaining was \$1,026,813. Future payments are as follows:

Year Ending June 30,	Total Payments
2014	\$ 158,209
2015	158,208
2016	158,203
2017	158,201
2018	158,197
2019-2020	235,795
Total	<u>\$ 1,026,813</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$854,520.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$3,717,751, and contributions made by the District during the year were \$3,165,343. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$250,118 and (\$361,608), respectively, which resulted in an increase to the net OPEB obligation of \$440,918. As of June 30, 2013, the net OPEB obligation was \$6,693,874. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental	Total
Nonspendable				
Revolving cash	\$ 80,000	\$ -	\$ -	\$ 80,000
Stores inventories	160,886	-	-	160,886
Prepaid expenditures	46,347	-	-	46,347
Total Nonspendable	<u>287,233</u>	<u>-</u>	<u>-</u>	<u>287,233</u>
Restricted				
Legally restricted programs	6,219,368	-	159,912	6,379,280
Capital projects	-	9,270,204	3,017,259	12,287,463
Debt services	-	-	5,853,586	5,853,586
Total Restricted	<u>6,219,368</u>	<u>9,270,204</u>	<u>9,030,757</u>	<u>24,520,329</u>
Assigned				
Capital projects	-	-	3,961,353	3,961,353
Step up carryover	167,537	-	-	167,537
District-wide donation carryover	120,557	-	-	120,557
Information technology upgrade	191,876	-	-	191,876
New buses - AQMD grant	170,000	-	-	170,000
RITZ carryover	3,440	-	-	3,440
Safety loss control carryover	218,243	-	-	218,243
RDA Payment - Rialto High School Stadium	376,631	-	-	376,631
15 Additional teacher position	1,200,000	-	-	1,200,000
Eisenhower High School QEIA	1,509,972	-	-	1,509,972
Other	-	-	1,796	1,796
Total Assigned	<u>3,958,256</u>	<u>-</u>	<u>3,963,149</u>	<u>7,921,405</u>
Unassigned				
Reserve for economic uncertainties	6,307,704	-	-	6,307,704
Remaining unassigned	11,550,413	-	-	11,550,413
Total Unassigned	<u>17,858,117</u>	<u>-</u>	<u>-</u>	<u>17,858,117</u>
Total	<u>\$ 28,322,974</u>	<u>\$ 9,270,204</u>	<u>\$ 12,993,906</u>	<u>\$ 50,587,084</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits 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 197 retirees currently receiving benefits, six terminated plan members entitled to, but not yet receiving benefits, and 2,050 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 2012-2013, the District contributed \$3,165,343 to the Plan.

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	\$ 3,717,751
Interest on net OPEB obligation	250,118
Adjustment to annual required contribution	(361,608)
Annual OPEB cost (expense)	<u>3,606,261</u>
Contributions made	<u>(3,165,343)</u>
Increase in net OPEB obligation	440,918
Net OPEB obligation, beginning of year	<u>6,252,956</u>
Net OPEB obligation, end of year	<u><u>\$ 6,693,874</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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
2011	\$ 728,388	\$ 2,768,638	380%	\$ 5,908,874
2012	3,056,355	2,712,273	89%	6,252,956
2013	3,606,261	3,165,343	88%	6,693,874

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2013	\$ -	\$ 32,656,090	\$ 32,656,090	0%	\$ 130,534,497	25%

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, 2013, 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, 2013, was 25 years. The actuarial value of assets was not determined in this actuarial valuation.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 12 - 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 (JPA's) for various insurance coverages through the JPA's. Refer to Note 15 for additional information regarding the JPA's.

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.

NOTE 13 - 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, 100 Waterfront Place, Sacramento, California 95605.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 2012-2013 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, 2013, 2012, and 2011, were \$7,915,365, \$8,043,381, and \$8,394,074, 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 2012-2013 was 11.417 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, 2013, 2012, and 2011, were \$3,949,278, \$3,786,813, and \$3,639,898, respectively, and equal 100 percent of the required contributions for each year.

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 \$173,216, which was 3.5 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 \$5,265,920 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. 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 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013:

Year Ending June 30,	Lease Payment
2014	\$ 353,304
2015	117,768
Total	<u>\$ 471,072</u>

Total expenditures charged for leases during 2013 were \$353,304.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Science Lab Renovation	\$ 141,819	September 2013
Carter High School Track and Field	1,673,224	November 2013
Rialto High School Track Field	1,482,555	November 2013
Eisenhower High Electrical and Gas Upgrade Phase 1 and 2	572,314	November 2013
CTE - Culinary Academy	339,468	December 2013
CTE - Engineering Academy	904,182	December 2013
Trapp Middle School Shade Structure - ADA	37,200	December 2013
Rialto Middle School - Classroom Addition	230,080	April 2014
Classroom Improvements - Child Development	94,800	June 2014
	<u>\$ 5,475,642</u>	

NOTE 15 - 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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, the District made payments of \$65,176, \$2,892,875, and \$722,873 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

NOTE 16 - SUBSEQUENT EVENTS

The District issued \$12,330,000 of Tax and Revenue Anticipation Notes dated July 1, 2013. The notes mature on April 1, 2014, and yield 0.20 percent interest. The notes were sold to supplement cash flow.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

Certain items that occurred in the prior year net position has been restated as of June 30, 2012, to more accurately reflect the substance of the underlying transactions. The following table lists the reason for the restatement.

Governmental Activities Financial Statements

Net Position - Beginning	\$ 278,727,039
Overstatement of capital assets	(7,523,207)
Net Position - Beginning As Restated	<u>\$ 271,203,832</u>

Business-Type Activities Financial Statements

Net Position - Beginning	\$ 22,438,720
Overstatement of capital assets	(4,181,168)
Net Position - Beginning As Restated	<u>\$ 18,257,552</u>

NOTE 18 - MISAPPROPRIATION OF ASSETS

During the 2012-2013 fiscal year, the District conducted an investigation involving an alleged misappropriation of food services funds by a nutrition services employee. The investigation included reviewing the numerous discrepancies between the currency collected from the daily food sales and the amount deposited to the bank. As a result of the investigation, the financial impact to the District is approximately \$193,000 for the year ending June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 137,974,585	\$ 137,956,739	\$ 137,956,738	\$ (1)
Federal sources	16,517,239	16,540,147	14,340,584	(2,199,563)
Other State sources	34,877,190	37,793,336	44,065,660	6,272,324
Other local sources	13,440,615	14,657,032	14,731,918	74,886
Total Revenues ¹	202,809,629	206,947,254	211,094,900	4,147,646
EXPENDITURES				
Current				
Certificated salaries	95,736,487	98,739,637	97,275,608	1,464,029
Classified salaries	33,231,006	34,203,632	33,475,397	728,235
Employee benefits	49,668,708	47,334,024	50,694,906	(3,360,882)
Books and supplies	7,593,387	9,774,181	7,617,680	2,156,501
Services and operating expenditures	22,735,570	27,261,688	23,923,246	3,338,442
Other outgo	17,199	946,735	222,117	724,618
Capital outlay	-	2,485,015	2,018,089	466,926
Total Expenditures ¹	208,982,357	220,744,912	215,227,043	5,517,869
Excess (Deficiency) of Revenues Over Expenditures	(6,172,728)	(13,797,658)	(4,132,143)	9,665,515
Other Financing Sources (Uses)				
Transfers in	-	2,385	2,385	-
Transfers out	(323,500)	(24,452)	(295,680)	(271,228)
Net Financing Sources (Uses)	(323,500)	(22,067)	(293,295)	(271,228)
NET CHANGE IN FUND BALANCE	(6,496,228)	(13,819,725)	(4,425,438)	9,394,287
Fund Balance - Beginning	32,748,412	32,748,412	32,748,412	-
Fund Balance - Ending	\$ 26,252,184	\$ 18,928,687	\$ 28,322,974	\$ 9,394,287

¹ On behalf payments of \$5,265,920 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

RIALTO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
February 1, 2009	\$ -	\$ 18,601,302	\$ 18,601,302	0%	\$ 141,520,947	13%
February 1, 2011	-	25,908,488	25,908,488	0%	132,161,502	20%
February 1, 2013	-	32,656,090	32,656,090	0%	130,534,497	25%

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A, Low Income and Neglected, Reallocation Funds	84.010	14981	\$ 7,482,691
Title II, Part A, Improving Teacher Quality	84.367	14341	1,039,638
Title II, Part A, Principal Training	84.367	14344	30,000
Title III, Part A, Limited English Student Proficient Program	84.365	14346	892,557
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330	14831	17,675
Vocational Educational Grants			
Applied Technology, Secondary Education	84.048	14894	176,694
Passed through East Valley Special Education Local Plan Area:			
Special Education Cluster (IDEA)			
Local Assistance	84.027	13379	3,687,250
Local Assistance, Private School	84.027	10115	4,748
Preschool Local Assistance	84.027A	13682	91,536
Federal Preschool	84.173	13430	50,771
Preschool Staff Development, Part B, Section 619	84.173	13431	452
Mental Health Allocation Plan, Part B, Section 611	87.027A	14468	336,438
Total Special Education Cluster (IDEA)			<u>4,171,195</u>
Passed through Cal-State University San Bernardino:			
California State Gear Up Program	84.334A	10088	7,500
Total U.S. Department of Education			<u>13,817,950</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	\$ 2,842,447
National School Lunch Program	10.555	13524	9,238,647
Meal Supplements	10.556	13392	265,402
Food Distribution	10.555	13524	908,318
Total Child Nutrition Cluster			<u>13,254,814</u>
Passed through CDE:			
Forest Reserve	10.665	10044	12,609
Total U.S. Department of Agriculture			<u>13,267,423</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Army	12.000	[1]	62,455
Junior Reserve Officer Training Corps - Marines	12.000	[1]	48,150
Passed through Naval Junior Reserve Officers Training Corps:			
Junior Reserve Officer Training Corps - Navy	12.000	JROTC114S, JROTC121S, JROTC122S	69,628
Total U.S. Department of Defense			<u>180,233</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster			
Medi-Cal Administrative Activities	93.778	10060	272,094
Medi-Cal Billing Option	93.778	10013	435,504
Subtotal Medicaid Cluster			<u>707,598</u>
Total U.S. Department of Health and Human Services			<u>707,598</u>
Total Expenditures of Federal Awards			<u>\$ 27,973,204</u>

[1] Direct-funded program.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Joseph Ayala	President	2016
Mr. Edgar Montes	Vice President	2014
Mr. Joseph W. Martinez	Clerk	2016
Mrs. Joanne T. Gilbert	Member	2014
Mrs. Nancy G. O'Kelley	Member	2016

ADMINISTRATION

Dr. Harold L. Cebrun, Sr.	Superintendent
Dr. James Wallace	Deputy Superintendent, Student Services
Mr. Mohammad Z. Islam	Associate Superintendent, Business Services
Mrs. Susan Levine	Associate Superintendent, Educational Services
Mr. Felix Avila	Associate Superintendent, Personnel Services

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,897	1,891
First through third	5,806	5,805
Fourth through sixth	5,629	5,625
Seventh and eighth	3,819	3,811
Home and hospital	5	6
Community day school	1	1
Special education	505	506
Total Elementary	17,662	17,645
SECONDARY		
Regular classes	7,257	7,195
Continuation education	274	272
Home and hospital	7	7
Community day school	13	13
Special education	369	363
Total Secondary	7,920	7,850
Total K-12	25,582	25,495

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2013

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of	Status
	Actual	1982-83	Minutes	1986-87		Traditional	
	Minutes	Actual	Requirement	Minutes	Actual	Calendar	
Kindergarten	31,680	30,800	36,000	35,000	35,577	177	Complied
Grades 1 - 3	47,520	46,200	50,400	49,000			
Grade 1					50,035	177	Complied
Grade 2					50,035	177	Complied
Grade 3					50,035	177	Complied
Grades 4 - 6	47,520	46,200	54,000	52,500			
Grade 4					53,357	177	Complied
Grade 5					53,357	177	Complied
Grade 6					60,781	177	Complied
Grades 7 - 8	61,600	59,889	54,000	52,500			
Grade 7					60,781	177	Complied
Grade 8					60,781	177	Complied
Grades 9 - 12	59,840	58,178	64,800	63,000			
Grade 9					64,343	177	Complied
Grade 10					64,343	177	Complied
Grade 11					64,343	177	Complied
Grade 12					64,343	177	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, 2013**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget) 2014 ¹	2013	2012	2011
GENERAL FUND				
Revenues	\$ 209,270,532	\$ 211,094,900	\$ 215,919,193	\$ 217,198,073
Other sources and transfers in	-	2,385	1,485,172	3,492,675
Total Revenues and Other Sources	<u>209,270,532</u>	<u>211,097,285</u>	<u>217,404,365</u>	<u>220,690,748</u>
Expenditures	218,512,606	215,227,043	222,431,158	224,518,411
Other uses and transfers out	-	295,680	242,887	1,559,197
Total Expenditures and Other Uses	<u>218,512,606</u>	<u>215,522,723</u>	<u>222,674,045</u>	<u>226,077,608</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (9,242,074)</u>	<u>\$ (4,425,438)</u>	<u>\$ (5,269,680)</u>	<u>\$ (5,386,860)</u>
ENDING FUND BALANCE	<u>\$ 19,080,900</u>	<u>\$ 28,322,974</u>	<u>\$ 32,748,412</u>	<u>\$ 38,018,092</u>
AVAILABLE RESERVES²	<u>\$ 14,225,487</u>	<u>\$ 17,858,117</u>	<u>\$ 21,153,776</u>	<u>\$ 22,613,840</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	<u>6.5%</u>	<u>8.5%</u>	<u>9.7%</u>	<u>10.0%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 114,617,545</u>	<u>\$ 115,267,572</u>	<u>\$ 114,357,488</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>25,582</u>	<u>25,582</u>	<u>25,777</u>	<u>25,812</u>

The General Fund balance has decreased by \$9,695,118 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$9,242,074 (32.6 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 all of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$260,057 over the past two years.

Average daily attendance has decreased by 230 over the past two years. No change in ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 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 \$5,265,920, \$5,165,659, and \$4,341,538 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 439,808	\$ 1,743,174	\$ 2,105,908
Receivables	316,910	1,162	1,984
Total Assets	<u>\$ 756,718</u>	<u>\$ 1,744,336</u>	<u>\$ 2,107,892</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 99,816	\$ 126,015	\$ 708,954
Due to other funds	455,394	-	-
Deferred revenue	39,800	-	-
Total Liabilities	<u>595,010</u>	<u>126,015</u>	<u>708,954</u>
Fund Balances:			
Restricted	159,912	1,618,321	1,398,938
Assigned	1,796	-	-
Total Fund Balances	<u>161,708</u>	<u>1,618,321</u>	<u>1,398,938</u>
Total Liabilities and Fund Balances	<u>\$ 756,718</u>	<u>\$ 1,744,336</u>	<u>\$ 2,107,892</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 3,958,158	\$ 5,853,568	\$ 18	\$ 14,100,634
3,195	-	-	323,251
<u>\$ 3,961,353</u>	<u>\$ 5,853,568</u>	<u>\$ 18</u>	<u>\$ 14,423,885</u>
\$ -	\$ -	\$ -	\$ 934,785
-	-	-	455,394
-	-	-	39,800
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,429,979</u>
-	5,853,568	18	9,030,757
3,961,353	-	-	3,963,149
<u>3,961,353</u>	<u>5,853,568</u>	<u>18</u>	<u>12,993,906</u>
<u>\$ 3,961,353</u>	<u>\$ 5,853,568</u>	<u>\$ 18</u>	<u>\$ 14,423,885</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, 2013**

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Other State sources	\$ 2,593,472	\$ -	\$ 3,044,634
Other local sources	529,037	905,607	12,427
Total Revenues	<u>3,122,509</u>	<u>905,607</u>	<u>3,057,061</u>
EXPENDITURES			
Current			
Instruction	2,049,141	-	-
Instruction-related activities:			
Supervision of instruction	75,645	-	-
School site administration	615,276	-	-
Pupil services:			
All other pupil services	47,896	-	-
Administration:			
All other administration	207,126	-	-
Plant services	81,899	34,981	-
Facility acquisition and construction	10,200	932,750	2,771,925
Debt service			
Principal	39,000	-	-
Interest and other	-	-	-
Total Expenditures	<u>3,126,183</u>	<u>967,731</u>	<u>2,771,925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,674)</u>	<u>(62,124)</u>	<u>285,136</u>
Other Financing Sources			
Transfers in	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(3,674)</u>	<u>(62,124)</u>	<u>285,136</u>
Fund Balances - Beginning	165,382	1,680,445	1,113,802
Fund Balances - Ending	<u>\$ 161,708</u>	<u>\$ 1,618,321</u>	<u>\$ 1,398,938</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ 68,872	\$ -	\$ 5,706,978
17,914	4,874,019	-	6,339,004
<u>17,914</u>	<u>4,942,891</u>	<u>-</u>	<u>12,045,982</u>
-	-	-	2,049,141
-	-	-	75,645
-	-	-	615,276
-	-	-	47,896
-	-	-	207,126
-	-	-	116,880
813,823	-	-	4,528,698
-	3,521,129	-	3,560,129
-	1,352,952	295,662	1,648,614
<u>813,823</u>	<u>4,874,081</u>	<u>295,662</u>	<u>12,849,405</u>
<u>(795,909)</u>	<u>68,810</u>	<u>(295,662)</u>	<u>(803,423)</u>
<u>2,000,000</u>	<u>-</u>	<u>295,680</u>	<u>2,295,680</u>
<u>2,000,000</u>	<u>-</u>	<u>295,680</u>	<u>2,295,680</u>
1,204,091	68,810	18	1,492,257
2,757,262	5,784,758	-	11,501,649
<u>\$ 3,961,353</u>	<u>\$ 5,853,568</u>	<u>\$ 18</u>	<u>\$ 12,993,906</u>

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, 2013**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 14,341	6.8	\$ 20,555	9.8	\$ 22,222	10.2
Revenue limit revenue	137,957	65.4	137,271	65.1	137,985	63.5
Special education revenue	12,291	5.8	10,668	5.1	16,098	7.4
Lottery revenue	4,262	2.0	4,108	1.9	3,551	1.6
Other State revenue	37,999	18.0	34,450	16.3	35,550	16.4
Interest revenue	731	0.3	566	0.3	226	0.1
Other local revenue	3,514	1.7	3,135	1.5	1,566	0.8
Total Revenues	<u>211,095</u>	<u>100.0</u>	<u>210,753</u>	<u>100.0</u>	<u>217,198</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	97,276	46.1	98,988	47.0	103,250	47.5
Classified salaries	33,475	15.9	33,989	16.1	33,420	15.4
Employee benefits	50,695	24.0	50,364	23.9	50,564	23.3
Total Salaries and Benefits	<u>181,446</u>	<u>86.0</u>	<u>183,341</u>	<u>87.0</u>	<u>187,234</u>	<u>86.2</u>
Books and supplies	7,618	3.6	7,957	3.8	9,020	4.2
Contracts and operating expenses	23,923	11.3	23,414	11.1	26,273	12.1
Capital outlay	2,018	1.0	2,406	1.1	1,915	0.9
Other outgo	222	0.1	147	0.1	76	0.0
Total Expenditures	<u>215,227</u>	<u>102.0</u>	<u>217,265</u>	<u>103.1</u>	<u>224,518</u>	<u>103.4</u>
EXCESS OF REVENUES UNDER EXPENDITURES						
	(4,132)	(2.0)	(6,512)	(3.1)	(7,320)	(3.4)
OTHER FINANCING SOURCES (USES)						
Net financing sources (uses)	<u>(293)</u>	<u>(0.1)</u>	<u>1,242</u>	<u>0.6</u>	<u>1,933</u>	<u>0.9</u>
DECREASE IN FUND BALANCE						
	<u>(4,425)</u>	<u>(2.1)</u>	<u>(5,270)</u>	<u>(2.5)</u>	<u>(5,387)</u>	<u>(2.5)</u>
FUND BALANCE, BEGINNING	<u>32,748</u>		<u>38,018</u>		<u>43,405</u>	
FUND BALANCE, ENDING	<u>\$ 28,323</u>		<u>\$ 32,748</u>		<u>\$ 38,018</u>	
ENDING FUND BALANCE TO TOTAL REVENUES						
		<u>13.4</u>		<u>15.5</u>		<u>17.5</u>

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, 2013**

(Dollar amounts in thousands)
(Modified accrued basis)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	\$ 13,301	83.6	\$ 12,615	82.6	\$ 13,821	83.7
State meal program	1,044	6.6	1,093	7.2	1,216	7.4
Food sales	1,515	9.5	1,506	9.9	1,427	8.6
Other	47	0.3	53	0.3	54	0.3
Total Revenues	<u>15,907</u>	<u>100.0</u>	<u>15,267</u>	<u>100.0</u>	<u>16,518</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	5,065	33.1	4,734	33.1	4,639	28.1
Food	7,413	46.9	5,809	46.9	6,255	37.9
Supplies	553	3.7	456	3.7	1,888	11.4
Other	1,074	8.7	1,289	8.7	1,494	9.0
Total Expenditures	<u>14,105</u>	<u>92.4</u>	<u>12,288</u>	<u>92.4</u>	<u>14,276</u>	<u>86.4</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,802</u>	<u>7.6</u>	<u>2,979</u>	<u>7.6</u>	<u>2,242</u>	<u>13.6</u>
OTHER FINANCING USES						
Net financing uses	(2,000)		(204)		(1,912)	
FUND BALANCE, BEGINNING	<u>12,370</u>		<u>9,595</u>		<u>9,265</u>	
FUND BALANCE, ENDING	<u>\$ 12,172</u>		<u>\$ 12,370</u>		<u>\$ 9,595</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>76.5</u>		<u>81.0</u>		<u>58.1</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2012-2013		2011-2012		2010-2011	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHESES						
Paid	355,537	10.1	512,870	13.1	491,878	12.1
Reduced price	289,077	8.2	319,772	8.2	339,734	8.3
Free	2,866,508	81.7	3,077,544	78.7	3,245,594	79.6
Total Lunches	<u>3,511,122</u>	<u>100.0</u>	<u>3,910,186</u>	<u>100.0</u>	<u>4,077,206</u>	<u>100.0</u>
BREAKFAST						
Paid	204,458	11.8	164,370	9.4	126,817	7.6
Reduced price	125,220	7.2	113,964	6.5	108,769	6.5
Free	1,401,704	81.0	1,468,957	84.1	1,435,534	85.9
Total Breakfast	<u>1,731,382</u>	<u>100.0</u>	<u>1,747,291</u>	<u>100.0</u>	<u>1,671,120</u>	<u>100.0</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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 of Medi-Cal Billing Option funds have been recorded in the prior period as revenues that have not been expended as of June 30, 2013. In addition, the District paid back MAA monies for previous years unallowable expenditures in the 2012-2013 fiscal year.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		\$ 27,595,398
Medi-Cal Billing Option	93.778	53,935
Medi-Cal Administrative Activities (MAA)	93.778	323,871
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,973,204</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.

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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.

INDEPENDENT AUDITORS' REPORTS



**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Rialto Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2013.

As discussed in Note 18 to the financial statements, the District has conducted an investigation into the alleged misappropriation of funds specific to the nutrition services program. Our opinion is not modified with respect to this matter as a result of information known to us at this time.

In addition, as discussed in Note 17 to the basic financial statements, the District has reappraised its capital assets, resulting in the restatement of the government-wide financial statement's beginning net assets balance.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the financial statement findings section of the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rialto Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the financial statement findings section of the accompanying schedule of findings and questioned costs as item 2013-1.

We noted certain matters that we reported to management of Rialto Unified School District in a separate letter dated December 16, 2013.

Rialto Unified School District's Response to Findings

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

Purpose of This Report

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

VADZINSK, TIZNE, Day + Co, LLP

Rancho Cucamonga, California
December 16, 2013



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

Governing Board
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited Rialto Unified School District's compliance with the types of compliance requirements described in the *OMB 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, 2013. Rialto Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rialto Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Rialto Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Rialto Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major Federal program is not modified with respect to these matters.

Rialto Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Rialto Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rialto Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rialto Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be significant deficiencies.

Rialto Unified School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Rialto Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VADINER, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 16, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Rialto Unified School District
Rialto, California

Report on State Compliance

We have audited Rialto Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the Rialto Unified School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Rialto Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2012-2013*. These standards 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 opinion. Our audit does not provide a legal determination of Rialto Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

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, 2013.

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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
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	
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts 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	5	Yes
Before School	6	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	4	Not Applicable

VADZINSK, TIZNE, Day + Co. LLP

Rancho Cucamonga, California
December 16, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Unmodified for all major programs except for the following program which was qualified:	
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027A, 84.027, 84.173</u>	<u>Special Education Cluster (IDEA)</u>
<u>84.367</u>	<u>Title II, Part A, Improving Teacher Quality</u>
<u>84.367</u>	<u>Title II, Part A, Principal Training</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 839,196</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>
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RIALTO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

Cafeteria Internal Control Finding

2013-1 30000

Criteria or Specific Requirements

Internal control is defined as a plan of organization under which employees' duties are so arranged and records and procedures so designated, as to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, revenues, and expenditures. Under such a system, the employees' work is subdivided so that no single employee performs a complete cycle of operations. Such procedures call for proper authorization by designated officials. To supplement an effective internal control, all computer systems that impact and interfaces with accounting records must also be established to provide effective internal controls.

Conditions

The following conditions were identified:

- 1) The Nutrition Services was not utilizing the automated general ledger system in place to record its accounting activities. Based on observations made, all accountings records were maintained on a series of Microsoft Excel spreadsheets.
- 2) The Nutrition Services Department did not properly segregate the accountant's responsibilities. The accountant appears to have performed numerous functions (custody, recording, authorization, and reconciliation) impacting the financial statements, supplemented by having unlimited system access within the point-of-sale system. Furthermore, some of the controls in place were not effectively utilized by the Nutrition Services Department. Specifically, the old video camera system located in the cash counting room was not strategically positioned to assist in the identification of possible fraudulent activities taking place.
- 3) The daily cash count report generated by the Etrition software was not being utilized to determine if deposits reported on monthly bank statements were accurate and intact. Prior to the discovery of the alleged fraud, it appears that the Nutrition Services Department did not compare cash collections processed and entered into the Etrition software with actual cash deposits. There were numerous instance of large discrepancies between cash count reports and actual deposits posted on bank statements.
- 4) Fraud was perpetrated within the District's Nutrition Services Department during the 2012-2013 fiscal year with an alleged amount being misappropriated.

RIALTO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of the full evaluation of the Nutrition Services Department's internal controls. The evaluation encompassed direct observation of electronic records kept in the accountant's computer, counting room located in the Nutrition Services Department, and District provided deposit records and bank statements maintained for the 2012-2013 fiscal year.

Effect

The condition identified resulted in the alleged fraud/misappropriation being perpetrated at the Nutrition Services Department. The fraud involved Nutrition Services Department's accountant allegedly misappropriating local revenues generated from the District's administration of the Child Nutrition Cluster (Federal Program). The alleged fraud resulted in a potential embezzlement of approximately \$193,000 during the 2012-2013 fiscal year.

Cause

The primary cause was due to the lack of periodic evaluation and monitoring of proper segregation of duty assignments in the Nutrition Services Department. The cause was also exacerbated by disinclination to utilize the automated general ledger system at the Nutrition Services Department. Additionally, ineffective control activities (location and functionality of the surveillance camera placed in cash counting room) facilitated the condition to materialize.

Recommendations

The District should consider the following actions:

- 1) The Nutrition Services Department should begin utilizing an automated general ledger system to regularly monitor activities and provide additional oversight.
- 2) Assignment of responsibilities impacting the financial statement should be determined by the Nutrition Services Department and the District's Business Services Department should independently review to ensure that responsibilities promote proper segregation of duties. Additionally, access to Nutrition Services Department-specific systems (Etrition) should also be independently reviewed by the Business Services Department. In particular, access to point-of-sale and other modules used to account for cash collections should be closely reviewed.
- 3) All control activities implemented over the Nutrition Services Department should always be operational.

RIALTO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

- 4) The cash count report from the Etrition system is generated as a result of cash receipts being processed by the Nutrition Services Department. The report identifies how much cash was counted by the Nutrition Services Department. In order to verify the completeness of deposits being made, cash count report should be used to reconcile all cash deposits posted on monthly bank statements. Ideally, reconciliation should be performed by an independent party that is not involved with the counting process.

Corrective Action Plan

The District has revised internal control procedures for the Nutrition Services department to address the weakness identified. Additional controls during the deposit and verification of site sales will ensure that all cash is deposited and reported accurately and timely. The department will hire additional personnel to provide the checks and balances needed to ensure financial statements are presented fairly and the proper safeguards are in place to protect the department's assets.

The District has implemented the General Ledger component of the automated financial system and has addressed segregation of duties throughout the department as well as restricted access to specific modules of the accounting system based on the position's assigned job responsibility.

The following safeguards have been implemented since August 7, 2013:

- Safe combination has been changed.
- Money Room Door has been rekeyed.
- No one enters the money room alone.
- Money bags will be opened and counted one at a time.
- Both parties will stand side by side to ensure money is visible to both parties at all times.
- All counted money will stay in the staging rack until all bags have been counted.
- Deposit will be visually verified by both parties counting.
- Deposit slip will be initialed by both counting parties.
- Excess deposit slips will be stored in money room only.
- All employee passwords were changed for Outlook, and Etrition.
- Deposit slip that is returned from the bank will be given to Director to review against the daily cash report.
- All vendors were notified in writing that Ms. Oakes was no longer employed by RUSD.
- I.T. came and set a backup of the daily cash report that is produced from the Money counting software to the server.
- Contacted Pallet Company re: to submit a check not cash.
- Accountant will no longer handle or count cash.
- Written Money Count Procedures updated and implemented.
- Cameras are in place to monitor all money handling.
- Director receives cash count report daily after money counting is complete.
- Deposits slip copies and confirmations from bank are given to Director to review against cash count and Daily Sales Report and Over and Short Report before giving to accountant.
- Over and Short Reports are also reviewed weekly by Supervisors.

RIALTO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

- Weekly reconciliation to Associate Superintendent of Business Services and Director of Fiscal Services comparing Point of Sale records, money count records, and bank deposit records.
- Additional Cameras installed in money room.

Safety Procedures have been put in place that disallows any one person from being able to access the money without another person. I.E. Director and Supervisor have keys to room and combination to safe. The keys to the safe are locked in the Money Room in a lock box.

Monthly Reconciliation Report is forwarded to the Associate Superintendent of Business Services and Senior Director of Fiscal Services on the 10th of the following month.

Bank Statements are reconciled monthly by Accountant and are given to Director to review. These statements are sent to Associate Superintendent of Business Services and Senior Director of Fiscal Services by the 10th of the following month.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent significant deficiencies and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2013-2 50000

Federal Program Affected

Program Name: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.556
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria or Specific Requirements

According to the requirements for program income, found in the A-102 Common Rule (§____.21 (payment) and §____.25 (program income)); OMB Circular A-110 (2 CFR section 215.2 (program income definition), 2 CFR section 215.22 (payment), and 2 CFR section 215.24 (program income)), program income is to be correctly earned, recorded and used in accordance with the program requirements. In the case of the Child Nutrition Program, program income is the monies received that are generated from meals served.

Condition

There appears to be several discrepancies between the currency collected from the daily food sales and the amount deposited to the bank. Monies are collected from the sites daily and forwarded to the food service office where two employees count the cash. After the cash is counted, a cash count sheet is prepared and initialed by both employees. However, during the review of the cash count sheets, it was noted that there were numerous instances in which the currency collected did not correspond to the amounts reported on the actual bank deposit.

Questioned Costs

The known questioned cost related to the condition identified was approximately \$134,523 based on the results of our examination. The likely questioned cost appears to be approximately \$193,000 for the fiscal year.

Context

The condition identified was determined through an examination of daily cash count sheets and monthly bank statements. The auditor selected 60 percent of the fiscal year daily sales and confirmed the discrepancies noted as the result of the audit to the amounts noted in the District's independent investigation.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect

As a result of our testing, the District does not appear to be in compliance with Federal program income requirements as such monies appeared not to be recorded or deposited for program use.

Cause

The primary cause was due to the lack of periodic evaluation and monitoring of proper segregation of duty assignments in the Nutrition Services Department. The cause was also exacerbated by disinclination to utilize the automated general ledger system at the Nutrition Services Department. Additionally, ineffective control activities (location and functionality of the surveillance camera placed in cash counting room) facilitated the condition to materialize.

Recommendation

Absent the District securing a third party vendor to assume responsibility in counting daily cash sales and preparing deposits, the District should continue to periodically evaluate and monitor proper segregation of duty assignments pertinent to Nutrition Services accounting functions, ensure all accounting activities are recorded on an automated general ledger accounting system, and continue to enhance internal controls, such as the functionality and location of the surveillance camera as well as regularly monitoring the cash counts, in addition to performing a reconciliation of cash deposits to the cash count report.

Corrective Action Plan

The District has revised internal control procedures for the Nutrition Services department to address the weakness identified. Additional controls during the deposit and verification of site sales will ensure that all cash is deposited and reported accurately and timely. The department will hire additional personnel to provide the checks and balances needed to ensure financial statements are presented fairly and the proper safeguards are in place to protect the department's assets.

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- Excess deposit slips will be stored in money room only.

RIALTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

- All employee passwords were changed for Outlook, and Etrition.
- Deposit slip that is returned from the bank will be given to Director to review against the daily cash report.
- All vendors were notified in writing that Ms. Oakes was no longer employed by RUSD.
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- Over and Short Reports are also reviewed weekly by Supervisors.
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Monthly Reconciliation Report is forwarded to the Associate Superintendent of Business Services and Senior Director of Fiscal Services on the 10th of the following month.

Bank Statements are reconciled monthly by Accountant and are given to Director to review. These statements are sent to Associate Superintendent of Business Services and Senior Director of Fiscal Services by the 10th of the following month.

RIALTO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no audit findings reported in the prior year's schedule of financial statement findings.



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, 2013, 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 16, 2013, on the financial statements of Rialto Unified School District.

Bank Reconciliations

Observation

Based on the review of Nutrition Services Department bank reconciliation, it appears that the Nutrition Services Department is improperly reconciling its bank accounts. The principle behind bank reconciliations is to account for activities posted on the bank statement, followed by activities not posted on the bank statement (reconciling items) which should result in a reconciled ending balance that agrees with amount posted on the District's general ledger. Contrary to the intent of the bank statement, it appears that the Nutrition Services Department is forcing a reconciliation to take place between the General Ledger (GL) and the bank statement.

Recommendations

Bank Reconciliations should be performed as follows:

- 1) Monthly Bank Statement activities should be traced to activities recorded per GL.
- 2) All activities posted on the GL, but not posted on bank statements should be classified as reconciling activities (outstanding checks and deposits in transit).
- 3) Cumulative reconciliations should be agreed to amount reported as ending cash balance for the month being reviewed.

The Nutrition Services Department should change their reconciliation routine and provide training to responsible employees to ensure that bank reconciliations are prepared properly. Furthermore, if the Nutrition Services Department does not have an employee with good accounting knowledge, completed reconciliations should be forwarded to the District office for independent review.

Etrition System Access

Observation

Based on conversation with District personnel and per observation from system screens, it appears that there are too many users that have unnecessary access to various modules of the Etrition system (primarily used for point-of-sale). Currently, it appears that the "Administrator" access which grants full access to the Etrition system, has been given to all supervisors, accountant, Director of Nutrition Services, and all office staff employed at the Nutrition Services Office.

Recommendation

Complete access currently granted to various employees should be removed. System access, especially those areas sensitive to the financial statement (Sales/Point-of-Sale), should be limited and catered based on responsibilities. Unnecessary access which has no relevance to certain job functions should only be limited to the view function.

ASSOCIATED STUDENT BODY (ASB)

Frisbie Middle School

Observations

1. Three of 16 disbursements tested were missing receiving documentation for goods received.
2. Eight of 40 receipts tested were not deposited in a timely manner. The number of days between the receipt date and deposit date ranged from nine to 31 days.
3. One of two revenue potential forms tested was not completed.

Recommendations

1. All expenditures should indicate whether the items purchases 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.
2. At a minimum, 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.
3. Revenue earned in the Student Body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The Revenue Potential 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 merchandises. A secondary tool that the form accomplished is to allow the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Rialto High School

Observation

Two of three revenue potential forms tested were not completed.

Recommendation

Revenue earned in the Student Body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The Revenue Potential 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 merchandises. A secondary tool that the form accomplished is to allow the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Carter High School

Observations

1. Four of 17 receipts tested were not deposited in a timely manner. The number of days between the receipt date and deposit date ranged from nine to 31 days.
2. One of 15 disbursements tested exceeded the pre-approved purchase amount.

Recommendations

1. At a minimum, 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.
2. All student body disbursements should be pre-approved by authorized administrative personnel and the student council including increases to approved amounts. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

We will review the status of the current year comments during our next audit engagement.

VADINSK, TIZINS, Day + Co. LLP

Rancho Cucamonga, California
December 16, 2013