



**RIALTO UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 4 through 12, and the budgetary comparison information and schedule of other post employment benefits on pages 60 and 61, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The 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 (Circular A-133)* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Vannick, Irvine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2012

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Board of
Education**

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Rialto Unified School District

This section of Rialto Unified School District's (the District) 2011-2012 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30 2012, with comparative information for June 30, 2011. 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.

**Associate Superintendent of
Business Services**
Mohammad Z. Islam

182 East Walnut Avenue
Rialto, CA 92376-3598

Tel: (909) 820-7700, ext. 2212
Fax: (909) 873-2489



RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$301.1 million for the fiscal year ended June 30, 2012, and \$314.1 million for the fiscal year ended June 30, 2011. Of this amount, \$10.9 million and \$13.6 million were unrestricted for June 30, 2012 and 2011, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		District Activities	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 108.0	\$ 102.6	\$ 12.4	\$ 10.1	\$ 120.4	\$ 112.7
Capital assets	326.4	327.2	10.0	10.7	336.4	337.9
Total Assets	434.4	429.8	22.4	20.8	456.8	450.6
Liabilities						
Current liabilities	40.4	21.6	-	0.5	40.4	22.1
Long-term obligations	115.3	114.4	-	-	115.3	114.4
Total Liabilities	155.7	136.0	-	0.5	155.7	136.5
Net Assets						
Invested in capital assets, net of related debt	247.3	254.5	10.0	10.7	257.3	265.2
Restricted	20.5	25.7	12.4	9.6	32.9	35.3
Unrestricted	10.9	13.6	-	-	10.9	13.6
Total Net Assets	\$ 278.7	\$ 293.8	\$ 22.4	\$ 20.3	\$ 301.1	\$ 314.1

The \$10.9 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. 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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 0.3	\$ 0.2	\$ 1.5	\$ 1.4	\$ 1.8	\$ 1.6
Operating grants and contributions	58.4	51.7	14.6	15.0	73.0	66.7
Capital grants and contributions	1.6	-	-	-	1.6	-
General revenues:						
Federal and State aid not restricted	148.4	151.0	-	-	148.4	151.0
Property taxes	14.0	13.4	-	-	14.0	13.4
Other general revenues	3.3	9.2	-	0.1	3.3	9.3
Total Revenues	226.0	225.5	16.1	16.5	242.1	242.0
Expenses						
Instruction-related	173.2	173.6	-	-	173.2	173.6
Student support services	18.8	16.9	-	-	18.8	16.9
Administration	15.0	14.9	-	-	15.0	14.9
Maintenance and operations	28.5	28.6	-	-	28.5	28.6
Food services	-	-	13.8	14.3	13.8	14.3
Other	5.8	5.1	-	-	5.8	5.1
Total Expenses	241.3	239.1	13.8	14.3	255.1	253.4
Transfers	0.2	1.9	(0.2)	(1.9)	-	-
Change in Net Assets	\$ (15.1)	\$ (11.7)	\$ 2.1	\$ 0.3	\$ (13.0)	\$ (11.4)

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 14, the cost of all of the District's governmental activities this year was \$241.3 million and \$239.1 million for June 30, 2012 and 2011, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$14.0 million and \$13.4 million for June 30, 2012 and 2011. The cost was paid by those who benefited from the programs was \$1.8 million and \$1.6 million for June 30, 2012 and 2011, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$74.6 million and \$66.7 million for June 30, 2012 and 2011, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$165.7 million and \$173.7 for June 30, 2012 and 2011, 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, pupil transportation services, other pupil support services, administration, plant services, and the remaining functional costs. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	143.6	\$ 140.8	\$ 104.8	\$ 110.5
Instruction-related activities	13.4	16.9	4.8	5.8
School administration	16.2	15.9	13.4	13.6
Home-to-school transportation	4.5	4.0	3.7	3.0
Other pupil services	14.3	12.9	9.5	9.4
General administration	15.0	14.9	12.0	12.6
Plant services	28.5	28.6	28.0	28.4
Other	5.8	5.1	4.8	3.9
Total	\$ 241.3	\$ 239.1	\$ 181.0	\$ 187.2

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$63.3 million as of June 30, 2012, which is a decrease of \$15.8 million from last year (Table 4).

Table 4

(Amounts in millions)

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	\$ 38.0	\$ 217.4	\$ 222.7	\$ 32.7
Building	27.1	0.1	8.1	19.1
Child Development	0.8	2.9	3.5	0.2
Capital Facilities	1.6	0.5	0.4	1.7
County School Facilities	4.0	1.6	4.5	1.1
Special Reserve Capital Outlay	2.0	0.7	-	2.7
Bond Interest and Redemption	5.5	36.8	36.5	5.8
COP Debt Service	0.1	-	0.1	-
Total	\$ 79.1	\$ 260.0	\$ 275.8	\$ 63.3

The primary reasons for these decreases are:

- The General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$5.3 million to \$32.7 million. This decrease is due to the decrease in State revenue limit.
- The Building Fund has showed a net decrease of approximately \$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 20, 2012. 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 60.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012 and 2011, the District had \$336.5 million and \$337.9 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1.4 million from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and construction in progress	\$ 55.6	\$ 44.2	\$ -	\$ 1.1	\$ 55.6	\$ 45.3
Buildings and improvements	257.0	267.0	8.7	9.1	265.7	276.1
Furniture and equipment	13.8	16.0	1.4	0.5	15.2	16.5
Total	\$ 326.4	\$ 327.2	\$ 10.1	\$ 10.7	\$ 336.5	\$ 337.9

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 2012-2013 year. We anticipate major capital additions to be \$26.6 million for the 2012-2013 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$115.3 million in long-term obligations outstanding versus \$112.5 million last year, a slight increase from the previous year.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds (financed with property taxes)	\$ 89.7	\$ 85.1	\$ -	\$ -	\$ 89.7	\$ 85.1
Certificates of participation	6.8	6.8	-	-	6.8	6.8
Child care facilities revolving fund	0.1	0.3	-	-	0.1	0.3
City of Rialto	5.7	5.8	-	-	5.7	5.8
Other	13.0	14.5	-	-	13.0	14.5
Total	\$ 115.3	\$ 112.5	\$ -	\$ -	\$ 115.3	\$ 112.5

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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 \$89.7 million is below the statutorily-imposed limit.

Other obligations include a supplemental early retirement plan and a loan from the City of Rialto Redevelopment Agency (RDA). We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-2013 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 0.49 percent.
2. No 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 2012-2013.
4. A \$941 increase for health and welfare benefits for each full-time employee.
5. Developer fee collections are based on estimated new housing units to be constructed.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	32:1	2,019
Grades one and two	32:1	6,014
Grades three through five	32:1	5,814
Grades six through eight	28:1	3,992
Grades nine through twelve	28:1	<u>7,662</u>
Total		<u>25,501</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 Associate Superintendent, Business Services, at Rialto Unified School District, 182 E. Walnut Avenue, Rialto, California, 92376, or e-mail at mislam@rialto.k12.ca.us.

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RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 36,952,042	\$ 9,139,048	\$ 46,091,090
Receivables	65,536,827	3,229,432	68,766,259
Internal balances	377,536	(377,536)	-
Prepaid expenses	26,091	-	26,091
Deferred charges on bond refunding	2,565,475	-	2,565,475
Stores inventories	146,756	381,208	527,964
Deferred cost on issuance	2,397,979	-	2,397,979
Capital assets:			
Land and work in process	55,583,189	-	55,583,189
Other capital assets	414,823,769	15,038,474	429,862,243
Less: accumulated depreciation	(143,976,295)	(4,970,012)	(148,946,307)
Total Capital Assets	<u>326,430,663</u>	<u>10,068,462</u>	<u>336,499,125</u>
Total Assets	<u>434,433,369</u>	<u>22,440,614</u>	<u>456,873,983</u>
LIABILITIES			
Accounts payable	14,775,712	1,894	14,777,606
Accrued interest payable	710,356	-	710,356
Deferred revenue	32,690	-	32,690
Current loans	24,920,000	-	24,920,000
Long-term obligations:			
Current portion of long-term obligations	4,034,802	-	4,034,802
Noncurrent portion of long-term obligations	111,232,770	-	111,232,770
Total Long-Term Obligations	<u>115,267,572</u>	<u>-</u>	<u>115,267,572</u>
Total Liabilities	<u>155,706,330</u>	<u>1,894</u>	<u>155,708,224</u>
NET ASSETS			
Invested in capital assets, net of related debt	247,313,216	10,068,462	257,381,678
Restricted for:			
Debt service	5,074,402	-	5,074,402
Capital projects	3,892,051	-	3,892,051
Educational programs	11,507,171	-	11,507,171
Other activities	-	12,370,258	12,370,258
Unrestricted	10,940,199	-	10,940,199
Total Net Assets	<u>\$ 278,727,039</u>	<u>\$ 22,438,720</u>	<u>\$ 301,165,759</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 143,637,949	\$ 5,687	\$ 37,254,781	\$ 1,568,520
Instruction-related activities:				
Supervision of instruction	10,471,963	338	8,468,759	-
Instructional library, media, and technology	2,892,760	-	139,138	-
School site administration	16,238,222	-	2,814,893	-
Pupil services:				
Home-to-school transportation	4,577,150	-	849,055	-
Food services	149	-	-	-
All other pupil services	14,263,704	20	4,752,680	-
Administration:				
Data processing	3,516,441	3,828	4,388	-
All other administration	11,481,363	67,066	2,949,317	-
Plant services	28,456,424	33,581	466,033	-
Community services	6,537	-	5,689	-
Interest on long-term obligations	5,088,185	-	-	-
Other outgo	661,878	224,884	654,731	-
Total Governmental Activities	<u>241,292,725</u>	<u>335,404</u>	<u>58,359,464</u>	<u>1,568,520</u>
Business-Type Activities				
Food services	13,824,508	1,506,244	14,603,468	-
Total Business-Type Activities	<u>13,824,508</u>	<u>1,506,244</u>	<u>14,603,468</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
 Inter-agency revenues
 Miscellaneous

Subtotal, General Revenues

Excess (Deficiency) of Revenues Over Expenses

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (104,808,961)	\$ -	\$ (104,808,961)
(2,002,866)	-	(2,002,866)
(2,753,622)	-	(2,753,622)
(13,423,329)	-	(13,423,329)
(3,728,095)	-	(3,728,095)
(149)	-	(149)
(9,511,004)	-	(9,511,004)
(3,508,225)	-	(3,508,225)
(8,464,980)	-	(8,464,980)
(27,956,810)	-	(27,956,810)
(848)	-	(848)
(5,088,185)	-	(5,088,185)
217,737	-	217,737
<u>(181,029,337)</u>	<u>-</u>	<u>(181,029,337)</u>
-	2,285,204	2,285,204
-	<u>2,285,204</u>	<u>2,285,204</u>
8,933,830	-	8,933,830
4,695,766	-	4,695,766
346,521	-	346,521
148,383,008	-	148,383,008
567,494	52,910	620,404
1,146,956	-	1,146,956
1,646,212	-	1,646,212
<u>165,719,787</u>	<u>52,910</u>	<u>165,772,697</u>
(15,309,550)	2,338,114	(12,971,436)
204,018	(204,018)	-
<u>165,923,805</u>	<u>(151,108)</u>	<u>165,772,697</u>
(15,105,532)	2,134,096	(12,971,436)
293,832,571	20,304,624	314,137,195
<u>\$ 278,727,039</u>	<u>\$ 22,438,720</u>	<u>\$ 301,165,759</u>

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

	General Fund	Building Funds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 13,237,807	\$ 11,720,247	\$ 11,986,545	\$ 36,944,599
Receivables	65,368,936	27,762	139,630	65,536,328
Due from other funds	687,800	9,000,000	117	9,687,917
Prepaid expenditures	26,091	-	-	26,091
Stores inventories	146,756	-	-	146,756
Total Assets	\$ 79,467,390	\$ 20,748,009	\$ 12,126,292	\$ 112,341,691
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,766,171	\$ 1,687,220	\$ 322,321	\$ 14,775,712
Due to other funds	9,000,117	-	302,322	9,302,439
Other current liabilities	24,920,000	-	-	24,920,000
Deferred revenue	32,690	-	-	32,690
Total Liabilities	46,718,978	1,687,220	624,643	49,030,841
Fund Balances:				
Nonspendable	252,847	-	-	252,847
Restricted	11,341,789	19,060,789	11,501,649	41,904,227
Unassigned	21,153,776	-	-	21,153,776
Total Fund Balances	32,748,412	19,060,789	11,501,649	63,310,850
Total Liabilities and Fund Balances	\$ 79,467,390	\$ 20,748,009	\$ 12,126,292	\$ 112,341,691

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance - Governmental Funds		\$ 63,310,850
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$470,406,958	
Accumulated depreciation is	<u>(143,976,295)</u>	
Net Capital Assets		326,430,663
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but are not recognized in the accrual basis.		4,963,454
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.		(710,356)
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	(17,974,924)	
2010 General Obligation Bonds	(38,700,950)	
2012 General Obligation Refunding Bonds	(29,865,000)	
2006 Certificates of Participation	(3,325,000)	
1997 Refunding Certificates of Participation	(3,515,000)	
Premium on debt issuances	(4,140,516)	
Discount on debt issuances	976,479	
Child Care Facilities Revolving Fund	(143,000)	
City of Rialto Redevelopment Agency Loan	(5,715,258)	
Early retirement plan and incentives	(5,813,980)	
Accumulated vacation (net)	(797,467)	
Other postemployment benefits (OPEB)	<u>(6,252,956)</u>	
Total Long-Term Obligations		<u>(115,267,572)</u>
Total Net Assets - Governmental Activities		<u>\$ 278,727,039</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, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 137,271,161	\$ -	\$ -	\$ 137,271,161
Federal sources	20,555,230	-	-	20,555,230
Other State sources	43,723,925	-	4,534,060	48,257,985
Other local sources	14,368,877	123,973	5,174,088	19,666,938
Total Revenues	215,919,193	123,973	9,708,148	225,751,314
EXPENDITURES				
Current				
Instruction	132,785,261	-	1,875,627	134,660,888
Instruction-related activities:				
Supervision of instruction	10,388,858	-	67,886	10,456,744
Instructional library, media and technology	2,888,898	-	-	2,888,898
School site administration	15,607,065	-	605,162	16,212,227
Pupil services:				
Home-to-school transportation	4,621,816	-	-	4,621,816
Food services	149	-	-	149
All other pupil services	13,665,537	-	45,959	13,711,496
Administration:				
Data processing	4,044,336	-	-	4,044,336
All other administration	10,651,580	-	649,098	11,300,678
Plant services	24,707,953	323,175	49,776	25,080,904
Facility acquisition and construction	1,905,792	7,796,215	4,189,249	13,891,256
Community services	6,527	-	-	6,527
Other outgo	865,366	-	-	865,366
Debt service				
Principal	-	-	3,018,392	3,018,392
Interest and other	292,020	-	2,375,207	2,667,227
Total Expenditures	222,431,158	8,119,390	12,876,356	243,426,904
Excess (Deficiency) of Revenues Over Expenditures	(6,511,965)	(7,995,417)	(3,168,208)	(17,675,590)
Other Financing Sources (Uses)				
Transfers in	1,485,172	-	1,093,613	2,578,785
Other sources	-	-	32,013,967	32,013,967
Transfers out	(242,887)	-	(1,333,532)	(1,576,419)
Other uses	-	-	(31,100,676)	(31,100,676)
Net Financing Sources (Uses)	1,242,285	-	673,372	1,915,657
NET CHANGE IN FUND BALANCES	(5,269,680)	(7,995,417)	(2,494,836)	(15,759,933)
Fund Balances - Beginning	38,018,092	27,056,206	13,996,485	79,070,783
Fund Balances - Ending	\$ 32,748,412	\$ 19,060,789	\$ 11,501,649	\$ 63,310,850

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, 2012**

Total Net Change in Fund Balances - Governmental Funds \$ (15,759,933)
**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 12,454,100	
Depreciation expense	(13,265,405)	
Net Expense Adjustment		(811,305)

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 \$1,988,558. Vacation earned was less than the amounts paid by \$22,674.

2,011,232

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.

(344,082)

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities.

(29,865,000)

Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide financial statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

2,792,912

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, 2012

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

1999 General Obligation Bonds	\$ 31,390,000
Child Care Facilities Revolving Fund	143,392
City of Rialto Redevelopment Agency	84,656

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

(1,404,862)

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 \$381,756 and second, \$2,925,000 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(2,543,664)

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

(798,878)

\$ (15,105,532)

Change in Net Assets of Governmental Activities

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Business-Type Activities	Governmental Activities -
	Enterprise Fund	Internal
	Nutrition Services	Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 9,139,048	\$ 7,443
Receivables	3,229,432	499
Stores inventories	381,208	-
Total Current Assets	<u>12,749,688</u>	<u>7,942</u>
Noncurrent Assets		
Capital assets	15,038,474	-
Less: accumulated depreciation	(4,970,012)	-
Total Noncurrent Assets	<u>10,068,462</u>	<u>-</u>
Total Assets	<u>22,818,150</u>	<u>7,942</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,894	-
Due to other funds	377,536	7,942
Total Current Liabilities	<u>379,430</u>	<u>7,942</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,068,462	-
Restricted	12,370,258	-
Total Net Assets	<u>\$ 22,438,720</u>	<u>\$ -</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Nutrition Services	
OPERATING REVENUES		
Local and intermediate sources	\$ 1,506,244	\$ -
OPERATING EXPENSES		
Payroll costs	4,734,125	-
Supplies and materials	7,160,295	-
Other operating cost	1,277,308	3,508
Depreciation expense	652,780	-
Total Operating Expenses	13,824,508	3,508
Operating Loss	(12,318,264)	(3,508)
NONOPERATING REVENUES (EXPENSES)		
Interest income	52,910	2,978
Transfers in	19,177	-
Transfers out	(223,195)	(798,348)
Grants	14,603,468	-
Total Nonoperating Revenues	14,452,360	(795,370)
Income (Loss) Before Capital Contributions and Transfers	2,134,096	(798,878)
Change in Net Assets	2,134,096	(798,878)
Total Net Assets - Beginning	20,304,624	798,878
Total Net Assets - Ending	\$ 22,438,720	\$ -

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, 2012**

	Business-Type Activities	Governmental Activities -
	Enterprise Funds	Internal
	Major	Service Fund
	Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 812,293	\$ -
Cash receipts from interfund services provided	-	448,415
Cash payments to other suppliers of goods or services	(7,137,699)	-
Cash payments to employees for services	(4,734,125)	-
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(147,540)	-
Other operating cash payments	(1,277,308)	(3,957)
Net Cash Flows (Used in) Provided by Operating Activities	<u>(12,484,379)</u>	<u>444,458</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	14,603,468	-
Transfers from other fund	19,177	-
Transfers to other fund	(223,195)	(798,348)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>14,399,450</u>	<u>(798,348)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(11,870)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	52,910	2,978
Net Increase (Decrease) in Cash and Cash Equivalents	1,956,111	(350,912)
Cash and Cash Equivalents - Beginning	7,182,937	358,355
Cash and Cash Equivalents - Ending	<u>\$ 9,139,048</u>	<u>\$ 7,443</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES**

Operating loss	\$	(12,318,264)	\$	(3,508)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation		652,780		-
Changes in assets and liabilities:				
Receivables		(693,951)		230
Due from other funds		-		440,243
Inventories		23,685		-
Accrued liabilities		(1,089)		(449)
Due to other funds		(147,540)		7,942
NET CASH USED FOR OPERATING ACTIVITIES	\$	(12,484,379)	\$	444,458

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$895,059 of food commodities from the U.S. Department of Agriculture.

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

RIALTO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 652,358
Receivables	1,388
Stores inventories	19,682
Total Assets	<u><u>\$ 673,428</u></u>
 LIABILITIES	
Accounts payable	\$ 52,181
Due to student groups	621,247
Total Liabilities	<u><u>\$ 673,428</u></u>

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

Basis of Presentation - Fund Accounting

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 and report 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), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

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

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

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

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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

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

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

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

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

Cash and Cash Equivalents

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets 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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums, and Discounts

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$32,843,882 of restricted net assets.

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, 2012

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.

New Accounting Pronouncements

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of 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.

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 No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 36,952,042
Business-type activities	9,139,048
Fiduciary funds	652,358
Total Deposits and Investments	<u>\$ 46,743,448</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 9,784,311
Cash in revolving	87,095
Cash with fiscal agent/trustee	24,612
Investments	36,847,430
Total Deposits and Investments	<u>\$ 46,743,448</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, 2012

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 \$36,938,465. The average weighted maturity for this pool is 357 days. In addition, the District maintains an investment of \$24,612 with First American Treasury Obligations Money Market Mutual Funds. Fair value for this investment approximates the stated value of \$24,612, and this investment has an average weighted maturity of 35 days.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of \$9,180,379 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, 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	Internal Service Fund	Total Governmental Activities	Nutrition Service Enterprise Fund	Fiduciary Fund
Federal Government							
Categorical aid	\$ 3,117,595	\$ -	\$ -	\$ -	\$ 3,117,595	\$ 2,948,933	\$ -
State Government							
Apportionment	51,882,914	-	-	-	51,882,914	-	-
Categorical aid	2,360,078	-	129,182	-	2,489,260	260,482	-
Lottery	2,003,091	-	-	-	2,003,091	-	-
Local Government							
Due from SELPA	3,978,605	-	-	-	3,978,605	-	-
Interest	31,930	27,762	8,119	499	68,310	-	-
Other local sources	1,994,723	-	2,329	-	1,997,052	20,017	1,388
Total	<u>\$ 65,368,936</u>	<u>\$ 27,762</u>	<u>\$ 139,630</u>	<u>\$ 499</u>	<u>\$ 65,536,827</u>	<u>\$ 3,229,432</u>	<u>\$ 1,388</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 39,746,151	\$ -	\$ -	\$ 39,746,151
Construction in process	4,411,630	11,425,408	-	15,837,038
Total Capital Assets				
Not Being Depreciated	<u>44,157,781</u>	<u>11,425,408</u>	<u>-</u>	<u>55,583,189</u>
Capital Assets Being Depreciated				
Land improvements	15,083,472	-	-	15,083,472
Buildings and improvements	339,968,612	-	-	339,968,612
Furniture and equipment	58,742,993	1,028,692	-	59,771,685
Total Capital Assets				
Being Depreciated	<u>413,795,077</u>	<u>1,028,692</u>	<u>-</u>	<u>414,823,769</u>
Less Accumulated Depreciation				
Land improvements	8,731,862	544,345	-	9,276,207
Buildings and improvements	79,290,864	9,441,896	-	88,732,760
Furniture and equipment	42,688,164	3,279,164	-	45,967,328
Total Accumulated Depreciation	<u>130,710,890</u>	<u>13,265,405</u>	<u>-</u>	<u>143,976,295</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 327,241,968</u>	<u>\$ (811,305)</u>	<u>\$ -</u>	<u>\$ 326,430,663</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in process	\$ 1,135,603	\$ -	\$ 1,135,603	\$ -
Capital Assets Being Depreciated				
Buildings and improvements	12,115,876	-	-	12,115,876
Furniture and equipment	1,775,125	1,147,473	-	2,922,598
Total Capital Assets				
Being Depreciated	<u>13,891,001</u>	<u>1,147,473</u>	<u>-</u>	<u>15,038,474</u>
Less Accumulated Depreciation				
Buildings and improvements	2,959,024	471,491	-	3,430,515
Furniture and equipment	1,358,208	181,289	-	1,539,497
Total Accumulated Depreciation	<u>4,317,232</u>	<u>652,780</u>	<u>-</u>	<u>4,970,012</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 10,709,372</u>	<u>\$ 494,693</u>	<u>\$ 1,135,603</u>	<u>\$ 10,068,462</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Governmental Activities

Instruction	\$ 10,744,978
All other pupil services	530,616
All other general administration	663,270
Plant services	1,326,541
Total Depreciation Expenses Governmental Activities	<u>13,265,405</u>

Business-Type Activities

Nutrition services	652,780
Total Depreciation Expenses All Activities	<u>\$ 13,918,185</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, 2012, between major and non-major governmental funds, and major enterprise funds are as follows:

Due To	Due From				Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise Fund	
General Fund	\$ -	\$ 302,322	\$ 7,942	\$ 377,536	\$ 687,800
Building Fund	9,000,000	-	-	-	9,000,000
Non-Major Governmental Funds	117	-	-	-	117
Total	<u>\$ 9,000,117</u>	<u>\$ 302,322</u>	<u>\$ 7,942</u>	<u>\$ 377,536</u>	<u>\$ 9,687,917</u>

The balance of \$9,000,000 due to the Building Fund from the General Fund resulted from a temporary loan for cash flow.

The balance of \$377,536 due to the General Fund from the Food Service Enterprise Fund resulted from salaries, benefits, and indirect costs to be reimbursed.

A balance of \$245,209 due to the General Fund from the Child Development Fund (Non-Major) resulted from salaries, benefits, and indirect costs to be reimbursed.

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	Food Services Enterprise Fund	
General Fund	\$ -	\$ 718,151	\$ 767,021	\$ -	\$ 1,485,172
Non-Major Governmental Funds	242,887	615,381	12,150	223,195	1,093,613
Food Services Enterprise Fund	-	-	19,177	-	19,177
Total	\$ 242,887	\$ 1,333,532	\$ 798,348	\$ 223,195	\$ 2,597,962

The General Fund transferred to the (Non-Major) COP Debt Service Fund for debt service payment.	\$ 242,887
The (Non-Major) Child Development Fund transferred to the General Fund Cal-Safe monies per flexibility provisions.	620,190
The (Non-Major) County School Facilities Fund transferred to the (Non-Major) Special Reserve Fund for Capital Outlay Projects for reimbursement of construction costs.	500,110
The (Non-Major) County School Facilities Fund transferred to the (Non-Major) Capital Facilities Fund for Capital Outlay Projects for reimbursement of construction costs.	115,271
The (Non-Major) County School Facilities Fund transferred to the General Fund for (Non-Major) Capital Outlay Projects for reimbursement of construction costs.	97,961
The Food Services Enterprise Fund transferred to the Special Reserve Fund for Capital Outlay Projects (Non-Major) for future capital projects.	223,195
The Internal Service Fund transferred to the General Fund to return remaining monies transferred to fund for workers' compensation.	767,021
The Internal Service Fund transferred to the (Non-Major) Child Development Fund to return remaining monies transferred to fund for workers' compensation.	12,150
The Internal Service Fund transferred to the Cafeteria Fund to return remaining monies transferred to fund for workers' compensation.	19,177
Total	\$ 2,597,962

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activites	Nutrition Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ 5,654,673	\$ -	\$ 91,357	\$ 5,746,030	\$ -	\$ -
State apportionment	690,649	-	-	690,649	-	-
Books and supplies	869,485	-	63,443	932,928	-	-
Services	4,295,441	103,831	39,947	4,439,219	-	-
Construction	595,099	1,582,519	127,226	2,304,844	-	-
All other payables	660,824	870	348	662,042	1,894	52,181
Total	\$ 12,766,171	\$ 1,687,220	\$ 322,321	\$ 14,775,712	\$ 1,894	\$ 52,181

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	\$ 32,690

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$14,870,000, which matured on March 1, 2012. On February 14, 2012, the District issued \$24,920,000 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 1, 2012. The District has recorded the cash available to make the principal and interest payments as Cash in County Treasury and with the corresponding liability as a current loan.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2011	Additions	Payments	Outstanding June 30, 2012
July 1, 2011	2.00%	3/1/2012	\$ -	\$ 14,870,000	\$ 14,870,000	\$ -
February 14, 2012	2.00%	10/1/2012	-	24,920,000	-	24,920,000
			\$ -	\$ 39,790,000	\$ 14,870,000	\$ 24,920,000

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
1999 General Obligation Bonds, Series A	\$ 15,173,267	\$ 851,657	\$ 1,565,000	\$ 14,459,924	\$ 1,661,129
1999 General Obligation Bonds, Series B	16,270,000	-	14,885,000	1,385,000	680,000
Premium on Issuance	231,190	-	77,065	154,125	-
1999 General Obligation Bonds, Series C	17,070,000	-	14,940,000	2,130,000	680,000
Premium on Issuance	238,821	-	119,411	119,410	-
2010 General Obligation Bonds, Series 2011A	26,932,187	2,073,763	-	29,005,950	-
Premium on Issuance	2,324,768	-	78,253	2,246,515	-
2010 General Obligation Bonds, Series 2011B	9,695,000	-	-	9,695,000	-
Discount on Issuance	(1,047,712)	-	(71,233)	(976,479)	-
General Obligation Refunding Bonds, Series 2012	-	29,865,000	-	29,865,000	500,000
Premium on Issuance	-	1,716,066	107,254	1,608,812	-
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	286,392	-	143,392	143,000	39,000
City of Rialto Redevelopment Agency Loan	5,799,914	-	84,656	5,715,258	86,065
Premium on Issuance	12,108	-	454	11,654	-
Supplemental Early Retirement Plan (SERP)	7,802,538	862,099	4,116,269	4,548,368	230,397
Early Retirement Incentive	-	1,265,612	-	1,265,612	158,211
Accumulated vacation - net	820,141	-	22,674	797,467	-
Other postemployment benefits	5,908,874	3,056,355	2,712,273	6,252,956	-
	<u>\$ 114,357,488</u>	<u>\$ 39,690,552</u>	<u>\$ 38,780,468</u>	<u>\$ 115,267,572</u>	<u>\$ 4,034,802</u>

Payments for the 1999, 2010, and 2012 General Obligation Bonds are made from the Bond Interest and Redemption Fund. The 1997 Refunding Certificates of Participation and 2006 Certificates of Participation are paid from the COP Debt Service Fund. Payments for the Child Care Facilities Revolving Fund debt are made from the Child Development Fund. Supplemental Early Retirement Plan (SERP) 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, 2012**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Fiscal Year-End Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding End of Year	
				Beginning of Year	Issued	Accreted		Redeemed
6/1/2000	2025	4.75-6.25%	\$ 19,995,038	\$ 15,173,267	\$ -	\$ 851,657	\$ 1,565,000	\$ 14,459,924
1/24/2003	2027	4.00-6.00%	20,000,000	16,270,000	-	-	14,885,000	1,385,000
5/5/2004	2028	3.00-5.125%	20,000,000	17,070,000	-	-	14,940,000	2,130,000
3/17/2011	2042	7.35-7.50%	26,932,187	26,932,187	-	2,073,763	-	29,005,950
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	-	-	29,865,000
				<u>\$ 85,140,454</u>	<u>\$ 29,865,000</u>	<u>\$ 2,925,420</u>	<u>\$ 31,390,000</u>	<u>\$ 86,540,874</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, 2012, 1999 General Obligation Refunding Bonds, Series A, totaling \$14,459,924 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 Assets. As of June 30, 2012, the principal balance outstanding is \$1,385,000.

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 Assets. As of June 30, 2012, the principal balance outstanding is \$2,130,000.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

2010 General Obligation Bonds, Series 2011A

On March 17, 2011, the District issued capital appreciation bonds and convertible capital appreciation bonds, 2010 General Obligation Bonds, Series 2011A in order to raise money to finance specific construction, repair and improvement projects and refinance portions of 2006 Certificates of Participation and 1997 Refunding Certificates of participation. The capital appreciation bonds were issued in the amount of \$10,043,817 (accreting to \$37,560,000) with a maturity date of August 1, 2036, and an interest rate of 7.5 percent. The convertible capital appreciation bonds were issued in the amount of \$16,888,370 convertible on August 1, 2026 with a stated accreted value of \$51,225,000 at conversion date and a final maturity date of August 1, 2041 at an interest rate of 7.350 percent. At June 30, 2012, 2010 General Obligation Bonds, Series 2011A, totaling \$29,005,950 were still outstanding.

2010 General Obligation Bonds, Series 2011B

One March 17, 2011, the District issued serial bonds, 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000 in order to raise money to finance specific construction. The bonds have a maturity date of August 1, 2026, with interest rates varying from 5.28 to 6.91 percent. At June 30, 2012, 2010 General Obligation Refunding Bonds, Series 2011B, totaling \$9,695,000 were still outstanding.

2012 General Obligation Refunding Bonds

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. The refunding of debt resulted in a decrease in debt service payments of \$2,310,832. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$1,814,634.

As of June 30, 2012, the principal balance outstanding on the defeased debt amounted to \$28,515,000 with amounts of \$30,792,403 as of June 30, 2012 held in escrow to fund the repayment. The advance refunding met the requirements of an in-substance defeasance and the associated assets and liability were removed from the District's financial statements. 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 assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,585,676 remain to be amortized using the straight-line method. At June 30, 2012, the principal balance outstanding on the 2002 General Obligation Refunding Bonds, 2011 Series A was \$29,865,000.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

The 1999 and 2010 General Obligation Bonds mature as follows:

Year Ending June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2013	\$ 3,423,940	\$ 97,189	\$ 1,348,153	\$ 4,869,282
2014	3,087,136	188,647	1,655,111	4,930,894
2015	3,011,890	274,950	1,597,964	4,884,804
2016	2,959,923	355,852	1,549,489	4,865,264
2017	2,929,513	432,506	1,499,164	4,861,183
2018-2022	16,411,016	3,188,981	6,301,501	25,901,498
2023-2027	22,658,549	5,988,835	4,509,533	33,156,917
2028-2032	7,696,829	14,708,171	18,936,038	41,341,038
2033-2037	6,195,775	26,363,401	18,825,188	51,384,364
2038-2042	18,166,303	33,058,696	10,323,259	61,548,258
Total	<u>\$ 86,540,874</u>	<u>\$ 84,657,228</u>	<u>\$ 66,545,400</u>	<u>\$ 237,743,502</u>

2006 Certificates of Participation

In June 2006, the District issued the 2006 Certificates of Participation in the amount of \$4,770,000. The Certificates were issued at an aggregate price of \$4,500,000 (representing the principal amount of \$4,770,000 less discount on issuance of \$17,915 and less issuance costs of \$252,085). The Certificates have a maturity date of September 1, 2031, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, will be used to finance the cost of acquisition and improvement of certain school facilities and land. At June 30, 2012, 2006 Certificates of Participation totaling \$3,325,000 were still outstanding.

The Certificates mature through 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 141,788	\$ 141,788
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
2018-2022	920,000	527,597	1,447,597
2023-2027	1,130,000	311,250	1,441,250
2028-2030	805,000	56,337	861,337
Total	<u>\$ 3,325,000</u>	<u>\$ 1,577,750</u>	<u>\$ 4,902,750</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

1997 Refunding Certificates of Participation

In September 1997, the District issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. As of June 30, 2012, 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
2013	\$ -	\$ 153,874	\$ 153,874
2014	-	153,874	153,874
2015	440,000	144,854	584,854
2016	455,000	126,165	581,165
2017	480,000	106,176	586,176
2018-2020	2,140,000	199,034	2,339,034
Total	<u>\$ 3,515,000</u>	<u>\$ 883,977</u>	<u>\$ 4,398,977</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, 2012, the outstanding balance was \$143,000.

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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. The remaining proceeds are to be held by the RDA and deposited in a school district assistance sub-account with disbursement of said funds upon requisition by the District.

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, 2012, the outstanding balance was \$5,715,258.

The loan is to be repaid by retaining pass-through payments due the District in amounts as noted on the debt service schedule below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 86,065	\$ 294,864	\$ 380,929
2014	86,770	291,570	378,340
2015	92,474	288,150	380,624
2016	98,179	284,363	382,542
2017	99,588	280,226	379,814
2017-2022	574,845	1,328,681	1,903,526
2023-2027	730,773	1,170,930	1,901,703
2028-2032	1,606,650	926,419	2,533,069
2033-2037	2,114,914	399,684	2,514,598
2038	225,000	14,062	239,062
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, 2012

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, 2012, the balance remaining was \$4,548,368. Future payments are as follows:

Year Ending June 30,	Total Payments
2013	\$ 230,397
2014	2,288,031
2015	1,762,070
2016	133,935
2017	133,935
Total	<u>\$ 4,548,368</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, 2012, the balance remaining was \$1,265,612. Future payments are as follows:

Year Ending June 30,	Total Payments
2013	\$ 158,211
2014	158,209
2015	158,208
2016	158,203
2017	158,201
2018-2020	474,580
Total	<u>\$ 1,265,612</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$797,467.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$3,145,292, and contributions made by the District during the year were \$2,712,273. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$295,444 and (\$384,381), respectively, which resulted in an increase to the net OPEB obligation of \$344,082. As of June 30, 2012, the net OPEB obligation was \$6,252,956. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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	146,756	-	-	146,756
Prepaid expenditures	26,091	-	-	26,091
Total Nonspendable	<u>252,847</u>	<u>-</u>	<u>-</u>	<u>252,847</u>
Restricted				
Legally restricted programs	11,341,789	-	165,382	11,507,171
Capital projects	-	19,060,789	5,551,509	24,612,298
Debt services	-	-	5,784,758	5,784,758
Total Restricted	<u>11,341,789</u>	<u>19,060,789</u>	<u>11,501,649</u>	<u>41,904,227</u>
Unassigned				
Reserve for economic uncertainties	6,531,639	-	-	6,531,639
Remaining unassigned	14,622,137	-	-	14,622,137
Total Unassigned	<u>21,153,776</u>	<u>-</u>	<u>-</u>	<u>21,153,776</u>
Total	<u>\$ 32,748,412</u>	<u>\$ 19,060,789</u>	<u>\$ 11,501,649</u>	<u>\$ 63,310,850</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 190 retirees currently receiving benefits and 2,168 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed \$2,712,273 to the Plan, all of which was used for current premiums (approximately 95 percent of total premiums). Retirees contributed \$141,246, or approximately five percent, of the total premiums.

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	\$ 3,145,292
Interest on net OPEB obligation	295,444
Adjustment to annual required contribution	(384,381)
Annual OPEB cost (expense)	<u>3,056,355</u>
Contributions made	<u>(2,712,273)</u>
Increase in net OPEB obligation	344,082
Net OPEB obligation, beginning of year	5,908,874
Net OPEB obligation, end of year	<u><u>\$ 6,252,956</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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
2010	\$ 3,670,169	\$ 1,039,520	28%	\$ 7,949,124
2011	728,388	2,768,638	380%	5,908,874
2012	3,056,355	2,712,273	89%	6,252,956

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 Accrued 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, 2011	\$ -	\$ 25,908,488	\$ 25,908,488	0%	\$ 132,161,502	20%

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, 2011, 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, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 7919 Folsom Blvd., Sacramento, California 95826.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 2011-2012 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, 2012, 2011, and 2010, were \$8,043,381, \$8,394,074, and \$8,778,602, 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 2011-2012 was 10.923 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, 2012, 2011, and 2010, were \$3,786,813, \$3,639,898, and \$3,410,849, 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, 2012

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 \$199,718, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions matched that of the employer's.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,165,659 (4.855 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, 2012.

Litigation

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012:

Year Ending June 30,	Lease Payment
2013	\$ 353,304
2014	353,304
2015	117,768
Total	<u>\$ 824,376</u>

Total expenditures charged for leases during 2012 were \$353,304.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Rialto Middle School - Classroom Addition	\$ 57,877	December 2012
Playground Resurfacing	551,302	December 2012
Rialto Middle School - Technology Bid	68,182	October 2012
Digital Media - Eisenhower High School	50,997	June 2013
Science Lab Renovation	137,843	July 2013
CTE - Culinary Academy	3,708,487	August 2013
CTE - Engineering Academy	1,956,812	August 2013
	<u>\$ 6,531,500</u>	

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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, 2012, the District made payments of \$64,704, \$2,915,875, and \$692,783 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

NOTE 16 - EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Retiree Information

A total of 27 employees have retired in exchange for the additional two years of service credit.

Position Vacated	Employee Age	Service Credit	Retired Employee		Replacement Employee (if Applicable)	
			Salary	Benefits	Salary	Benefits
Teacher	61.5	35.078	\$ 88,896	\$ 24,019	\$ 63,377	\$ 20,798
Teacher	59.6	36.582	88,896	24,019	65,393	21,053
Teacher	61.11	31	75,644	22,346	66,548	21,198
Teacher	63.4	25	88,896	24,019	44,746	18,447
Teacher	6.7	32	88,896	24,019	50,022	19,113
Teacher	58	32.472	88,896	24,019	44,746	18,447
Teacher	62.2	27.586	87,108	23,793	61,425	20,552
Nurse	62.9	31	84,790	23,500	-	-
Teacher	59.11	32.5	88,896	24,019	63,377	20,798
Teacher	68.9	12.444	78,050	22,650	59,530	20,313
Teacher	55.6	33	88,896	24,019	61,200	20,523
Teacher	57.8	24.954	80,400	22,946	66,548	21,198
Teacher	58.6	28.602	66,306	21,168	75,644	22,346
Teacher	63.5	22.499	85,357	23,572	60,581	20,445
Teacher	62.7	17.932	81,955	23,143	66,548	21,198
Teacher	66.2	13.88	75,429	22,319	47,637	18,812
Teacher	60.7	29.915	82,049	23,155	77,828	22,712
Teacher	61.5	26.919	88,896	24,019	63,377	20,798
Teacher	61.3	23.767	85,357	23,572	61,425	20,552
Librarian	58	19.5	77,536	22,585	52,332	19,404
Teacher	62.2	31	81,955	23,143	58,714	20,210
Teacher	61.8	32.737	88,896	24,019	44,746	18,447
Teacher	61.7	31	55,150	19,760	44,746	18,447
Teacher	57	29.299	88,896	24,019	59,530	19,313
Teacher	60.8	14.961	80,304	22,934	50,022	19,113
Teacher	59.9	19.037	85,357	23,572	55,150	19,760
Teacher	57.11	13.422	44,544	18,421	80,304	22,934
Total			\$ 2,196,251	\$ 622,769	\$ 1,545,496	\$ 526,931

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$20,916 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$	-
Postretirement health benefit costs		11,196
Administrative costs		9,720
Total	<u>\$</u>	<u>20,916</u>

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$17,860,000 of Tax and Revenue Anticipation Notes dated July 1, 2012. The notes mature on February 1, 2013, and yield 0.23 percent interest. The notes were sold to supplement cash flow.

NOTE 18 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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REQUIRED SUPPLEMENTARY INFORMATION

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RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
			Final	
			to Actual	
REVENUES				
Revenue limit sources	\$ 139,375,020	\$ 137,271,160	\$ 137,271,161	\$ 1
Federal sources	21,126,321	23,513,288	20,555,230	(2,958,058)
Other State sources	36,631,819	38,659,458	43,723,925	5,064,467
Other local sources	12,623,641	14,289,821	14,368,877	79,056
Total Revenues ¹	209,756,801	213,733,727	215,919,193	2,185,466
EXPENDITURES				
Current				
Certificated salaries	98,212,896	100,575,278	98,988,048	1,587,230
Classified salaries	33,321,184	34,839,033	33,988,868	850,165
Employee benefits	47,016,123	50,687,966	55,529,708	(4,841,742)
Books and supplies	8,236,548	10,383,219	7,957,113	2,426,106
Services and operating expenditures	23,071,858	30,790,995	23,414,342	7,376,653
Other outgo	303,777	448,962	146,362	302,600
Capital outlay	656,209	5,424,465	2,406,717	3,017,748
Total Expenditures ¹	210,818,595	233,149,918	222,431,158	10,718,760
Excess (Deficiency) of Revenues Over Expenditures	(1,061,794)	(19,416,191)	(6,511,965)	12,904,226
Other Financing Sources (Uses)				
Transfers in	-	1,477,341	1,485,172	7,831
Transfers out	(300,000)	(300,000)	(242,887)	57,113
Net Financing Sources (Uses)	(300,000)	1,177,341	1,242,285	64,944
NET CHANGE IN FUND BALANCE	(1,361,794)	(18,238,850)	(5,269,680)	12,969,170
Fund Balance - Beginning	38,018,092	38,018,092	38,018,092	-
Fund Balance - Ending	\$ 36,656,298	\$ 19,779,242	\$ 32,748,412	\$ 12,969,170

¹ On behalf payments of \$5,165,659 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, 2012

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, 2007	\$ -	\$ 27,219,215	\$ 27,219,215	0%	\$ 147,906,482	18%
February 1, 2009	-	18,601,302	18,601,302	0%	141,520,947	13%
February 1, 2011	-	25,908,488	25,908,488	0%	132,161,502	20%

SUPPLEMENTARY INFORMATION

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RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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			
Title I Grants to Local Educational Agencies Cluster:			
Title I, Part A, Low Income and Neglected, Reallocation Funds	84.010	14981	\$ 7,880,415
Improving Teacher Quality State Grants Cluster:			
Title II, Part A, Improving Teacher Quality	84.367	14341	981,576
Education and Technology State Grants Cluster:			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	10,246
ARRA Title II, Part D, Enhancing Education Through Technology	84.386A	15019	114,318
Subtotal Education and Technology State Grants Cluster			<u>124,564</u>
English Language Acquisition Grants Cluster:			
Title III, Part A, Limited English Student Proficient Program	84.365	14346	818,579
Title III, Part A, Immigrant Education Program	84.365	15146	80,866
Subtotal English Language Acquisition Grants Cluster			<u>899,445</u>
Title I, Part B, Reading First Program, LEA Sub Grant	84.357	14328	181,804
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330	14831	52,071
Education Jobs Fund	84.410	25152	5,143,906
Vocational Educational Grants			
Applied Technology, Secondary Education	84.048	14894	160,600
Passed through East Valley Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA)			
Local Assistance	84.027	13379	3,556,412
Local Assistance, Private School	84.027	10115	1,609
Preschool Local Assistance	84.027A	13682	102,531
Federal Preschool	84.173	13430	57,495
Preschool Staff Development, Part B, Section 619	84.173	13431	476
Mental Health Allocation Plan, Part B, Section 611	87.027A	14468	263,742
Subtotal Special Education (IDEA) Cluster			<u>3,982,265</u>
Passed through Cal-State University San Bernardino:			
Workability II, Transition Partnership	84.334(A)	10088	5,906
Total U.S. Department of Education			<u>19,412,552</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

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:			
Especially Needy Breakfast	10.553	13526	\$ 2,823,915
National School Lunch Program	10.555	13524	9,494,206
Basic Breakfast	10.553	13525	29,996
Meal Supplements	10.556	13392	267,129
Food Distribution	10.555	13524	895,059
Subtotal Total Child Nutrition Cluster			<u>13,510,305</u>
Passed through CDE:			
Forest Reserve	10.665	10044	13,884
Total U.S. Department of Agriculture			<u>13,524,189</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Army	12.000	[1]	44,256
Junior Reserve Officer Training Corps - Marines	12.000	[1]	53,490
Passed through Naval Junior Reserve Officers Training Corps:			
Junior Reserve Officer Training Corps - Navy	12.000	JROTC114S, JROTC121S, JROTC122S	73,524
Total U.S. Department of Defense			<u>171,270</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	628,349
Medi-Cal Billings	93.778	10013	214,692
Total U.S. Department of Health and Human Services			<u>843,041</u>
Total Expenditures of Federal Awards			<u>\$ 33,951,052</u>

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

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 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>
Mrs. Joanne T. Gilbert	President	2014
Mr. Joseph Ayala	Vice President	2014
Mr. Joseph W. Martinez	Clerk	2012
Mr. Edgar Montes	Member	2012
Mr. Michael G. Ridgway	Member	2014

ADMINISTRATION

Dr. Harold L. Cebrun, Sr.	Superintendent
Dr. James Wallace	Deputy Superintendent, Student Services
Mr. Casey Cridelich	Assistant Superintendent, Business Services
Ms. Jasmine Valenzuela	Assistant Superintendent, Educational Services
Mr. Felix Avila	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,908	1,909
First through third	5,734	5,721
Fourth through sixth	5,828	5,814
Seventh and eighth	3,896	3,879
Home and hospital	8	9
Community day school	3	2
Special education	474	474
Total Elementary	<u>17,851</u>	<u>17,808</u>
SECONDARY		
Regular classes	7,267	7,189
Continuation education	273	261
Home and hospital	7	7
Community day school	11	15
Special education	368	360
Total Secondary	<u>7,926</u>	<u>7,832</u>
Total K-12	<u><u>25,777</u></u>	<u><u>25,640</u></u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,680	30,800	36,000	35,000	35,400	180	Complied
Grades 1 - 3	47,520	46,200	50,400	49,000			
Grade 1					49,560	180	Complied
Grade 2					49,560	180	Complied
Grade 3					49,560	180	Complied
Grades 4 - 6	47,520	46,200	54,000	52,500			
Grade 4					53,487	180	Complied
Grade 5					53,487	180	Complied
Grade 6					61,356	180	Complied
Grades 7 - 8	61,600	59,889	54,000	52,500			
Grade 7					61,356	180	Complied
Grade 8					61,356	180	Complied
Grades 9 - 12	59,840	58,178	64,800	63,000			
Grade 9					64,429	180	Complied
Grade 10					64,429	180	Complied
Grade 11					64,429	180	Complied
Grade 12					64,429	180	Complied

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 ¹	2012	2011	2010
GENERAL FUND				
Revenues	\$202,809,629	\$ 215,919,193	\$217,198,073	\$209,534,183
Other sources and transfers in	-	1,485,172	3,492,675	440,243
Total Revenues and Other Sources	202,809,629	217,404,365	220,690,748	209,974,426
Expenditures	208,982,356	222,431,158	224,518,411	218,497,254
Other uses and transfers out	323,500	242,887	1,559,197	1,467,639
Total Expenditures and Other Uses	209,305,856	222,674,045	226,077,608	219,964,893
INCREASE (DECREASE) IN FUND BALANCE	\$ (6,496,227)	\$ (5,269,680)	\$ (5,386,860)	\$ (9,990,467)
ENDING FUND BALANCE	\$ 26,252,185	\$ 32,748,412	\$ 38,018,092	\$ 43,404,952
AVAILABLE RESERVES ²	\$ 14,777,396	\$ 21,153,776	\$ 22,613,840	\$ 24,298,164
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	7.1%	9.7%	10.0%	11.3%
LONG-TERM OBLIGATIONS	N/A	\$ 115,267,572	\$ 114,357,488	\$ 90,512,462
K-12 AVERAGE DAILY ATTENDANCE AT P-2	25,774	25,777	25,812	25,630

The General Fund balance has decreased by \$10,656,540 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of \$6,496,227 (19.8 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 2012-2013 fiscal year. Total long-term obligations have increased by \$24,755,110 over the past two years.

Average daily attendance has decreased by 147 over the past two years. Additional decline of three ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 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 \$5,165,659, \$4,341,538, and \$4,540,412, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 445,730	\$ 1,834,994	\$ 1,109,826
Receivables	130,402	1,949	4,141
Due from other funds	117	-	-
Total Assets	\$ 576,249	\$ 1,836,943	\$ 1,113,967
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 165,658	\$ 156,498	\$ 165
Due to other funds	245,209	-	-
Total Liabilities	410,867	156,498	165
Fund Balances:			
Restricted	165,382	1,680,445	1,113,802
Total Fund Balances	165,382	1,680,445	1,113,802
Total Liabilities and Fund Balances	\$ 576,249	\$ 1,836,943	\$ 1,113,967

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 2,754,174	\$ 5,784,758	\$ 57,063	\$ 11,986,545
3,088	-	50	139,630
-	-	-	117
<u>\$ 2,757,262</u>	<u>\$ 5,784,758</u>	<u>\$ 57,113</u>	<u>\$ 12,126,292</u>
\$ -	\$ -	\$ -	\$ 322,321
-	-	57,113	302,322
-	-	57,113	624,643
<u>2,757,262</u>	<u>5,784,758</u>	-	<u>11,501,649</u>
<u>2,757,262</u>	<u>5,784,758</u>	-	<u>11,501,649</u>
<u>\$ 2,757,262</u>	<u>\$ 5,784,758</u>	<u>\$ 57,113</u>	<u>\$ 12,126,292</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, 2012**

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Other State sources	\$ 2,896,289	\$ -	\$ 1,555,809
Other local sources	17,756	404,851	12,712
Total Revenues	<u>2,914,045</u>	<u>404,851</u>	<u>1,568,521</u>
EXPENDITURES			
Current			
Instruction	1,875,627	-	-
Instruction-related activities:			
Supervision of instruction	67,886	-	-
School site administration	605,162	-	-
Pupil services:			
All other pupil services	45,959	-	-
Administration:			
All other administration	168,708	-	-
Plant services	50,358	(582)	-
Facility acquisition and construction	15,560	402,398	3,771,291
Debt service			
Principal	143,392	-	-
Interest and other	-	-	-
Total Expenditures	<u>2,972,652</u>	<u>401,816</u>	<u>3,771,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(58,607)</u>	<u>3,035</u>	<u>(2,202,770)</u>
Other Financing Sources (Uses)			
Transfers in	12,150	115,271	-
Other sources-bond proceeds	-	-	-
Transfers out	(620,190)	-	(713,342)
Other uses-payments to escrow agent on refunding	-	-	-
Net Financing Sources (Uses)	<u>(608,040)</u>	<u>115,271</u>	<u>(713,342)</u>
NET CHANGE IN FUND BALANCES	<u>(666,647)</u>	<u>118,306</u>	<u>(2,916,112)</u>
Fund Balances - Beginning	<u>832,029</u>	<u>1,562,139</u>	<u>4,029,914</u>
Fund Balances - Ending	<u>\$ 165,382</u>	<u>\$ 1,680,445</u>	<u>\$ 1,113,802</u>

See accompanying note to supplementary information.

Special Reserve Capital Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ 81,962	\$ -	\$ 4,534,060
25,169	4,713,039	561	5,174,088
<u>25,169</u>	<u>4,795,001</u>	<u>561</u>	<u>9,708,148</u>
-	-	-	1,875,627
-	-	-	67,886
-	-	-	605,162
-	-	-	45,959
-	480,390	-	649,098
-	-	-	49,776
-	-	-	4,189,249
-	2,875,000	-	3,018,392
-	2,079,561	295,646	2,375,207
-	<u>5,434,951</u>	<u>295,646</u>	<u>12,876,356</u>
<u>25,169</u>	<u>(639,950)</u>	<u>(295,085)</u>	<u>(3,168,208)</u>
723,305	-	242,887	1,093,613
-	32,013,967	-	32,013,967
-	-	-	(1,333,532)
-	<u>(31,100,676)</u>	-	<u>(31,100,676)</u>
<u>723,305</u>	<u>913,291</u>	<u>242,887</u>	<u>673,372</u>
748,474	273,341	(52,198)	(2,494,836)
2,008,788	5,511,417	52,198	13,996,485
<u>\$ 2,757,262</u>	<u>\$ 5,784,758</u>	<u>\$ -</u>	<u>\$ 11,501,649</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, 2012

(Dollar amounts in thousands)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES*						
Federal revenue	\$ 20,555	9.8	\$ 22,222	10.2	\$ 23,999	11.5
Revenue limit revenue	137,271	65.1	137,985	63.5	127,810	61.0
Special education revenue	10,668	5.1	16,098	7.4	12,110	5.8
Lottery revenue	4,108	1.9	3,551	1.6	3,281	1.6
Other State revenue	34,450	16.3	35,550	16.4	39,021	18.6
Interest revenue	566	0.3	226	0.1	392	0.2
Other local revenue	3,135	1.5	1,566	0.8	2,921	1.3
Total Revenues	210,753	100.0	217,198	100.0	209,534	100.0
EXPENDITURES*						
Salaries and Benefits						
Certificated salaries	98,988	47.0	103,250	47.5	107,663	51.4
Classified salaries	33,989	16.1	33,420	15.4	34,733	16.6
Employee benefits	50,364	23.9	50,564	23.3	47,714	22.8
Total Salaries and Benefits	183,341	87.0	187,234	86.2	190,110	90.8
Books and supplies	7,957	3.8	9,020	4.2	7,194	3.4
Contracts and operating expenses	23,414	11.1	26,273	12.1	20,530	9.8
Capital outlay	2,406	1.1	1,915	0.9	357	0.2
Other outgo	147	0.1	76	0.0	306	0.1
Total Expenditures	217,265	103.1	224,518	103.4	218,497	104.3
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,512)	(3.1)	(7,320)	(3.4)	(8,963)	(4.3)
OTHER FINANCING USES						
Net financing sources (uses)	1,242	0.6	1,933	0.9	(1,027)	(0.5)
INCREASE (DECREASE) IN FUND BALANCE	(5,270)	(2.5)	(5,387)	(2.5)	(9,990)	(4.8)
FUND BALANCE, BEGINNING	38,018		43,405		53,395	
FUND BALANCE, ENDING	\$ 32,748		\$ 38,018		\$ 43,405	
ENDING FUND BALANCE TO TOTAL REVENUES		15.5		17.5		26.7

* Excludes on behalf payments.

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, 2012

(Dollar amounts in thousands)
(Modified accrued basis)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	\$ 12,615	82.6	\$ 13,821	83.7	\$ 12,538	82.4
State meal program	1,093	7.2	1,216	7.4	990	6.5
Food sales	1,506	9.9	1,427	8.6	1,646	10.8
Other	53	0.3	54	0.3	51	0.3
Total Revenues	15,267	100.0	16,518	100.0	15,225	100.0
EXPENDITURES						
Salaries and employee benefits	4,734	33.1	4,639	28.1	4,550	29.9
Food	5,809	46.9	6,255	37.9	5,622	36.9
Supplies	456	3.7	1,888	11.4	1,404	9.2
Other	1,289	8.7	1,494	9.0	1,080	7.1
Total Expenditures	12,288	92.4	14,276	86.4	12,656	83.1
EXCESS OF REVENUES OVER EXPENDITURES	2,979	7.6	2,242	13.6	2,569	16.9
OTHER FINANCING USES						
Net financing uses	(204)		(1,912)		-	
FUND BALANCE, BEGINNING	9,595		9,265		6,696	
FUND BALANCE, ENDING	\$ 12,370		\$ 9,595		\$ 9,265	
ENDING FUND BALANCE TO TOTAL REVENUES		81.0		58.1		60.9

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2011-2012		2010-2011		2009-2010	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	512,870	13.1	491,878	12.1	545,017	13.7
Reduced price	319,772	8.2	339,734	8.3	381,903	9.6
Free	3,077,544	78.7	3,245,594	79.6	3,064,464	76.7
Total Lunches	3,910,186	100.0	4,077,206	100.0	3,991,384	100.0
BREAKFAST						
Paid	164,370	4.2	126,817	3.1	114,137	2.9
Reduced price	113,964	2.9	108,769	2.7	100,265	2.5
Free	1,468,957	37.6	1,435,534	35.2	1,207,960	30.2
Total Breakfast	1,747,291	44.7	1,671,120	41.0	1,422,362	35.6

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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 current period as revenues that have not been expended as of June 30, 2012. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		\$ 34,065,536
Medi-Cal Billing Option	93.778	(114,484)
Total Schedule of Expenditures of Federal Awards		<u>\$ 33,951,052</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 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201. Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-2010 through 2012-2013.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

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

Cafeteria Account Selected Financial Information

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

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INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2012, which collectively comprise Rialto Unified School District's basic financial statements and have issued our report thereon dated December 13, 2012. 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.

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rialto Unified School District in a separate letter dated December 13, 2012.

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

Vanmink, James, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2012



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

Governing Board
Rialto Unified School District
Rialto, California

Compliance

We have audited Rialto Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rialto Unified School District's major Federal programs for the year ended June 30, 2012. Rialto Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

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

In our opinion, Rialto Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Rialto Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Rialto Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rialto Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Vasniker, James, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Rialto Unified School District
 Rialto, California

We have audited Rialto Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Rialto Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Rialto Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Rialto Unified School District's compliance with those requirements.

In our opinion, Rialto Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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, see below

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Yes
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
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	3	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

We did not perform procedures specific to the Work Experience Program related to continuation education, as the District does not operate this program.

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

Vannink, Irine Day & Co., LLP

Rancho Cucamonga, California
December 13, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</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>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</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 Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.318, 84.386A (ARRA)</u>	<u>Title II, Education and Technology State Grants Cluster (includes ARRA)</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,018,532</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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Governing Board
Rialto Unified School District
Rialto, California

In planning and performing our audit of the financial statements of Rialto Unified School District (the District), for the year ended June 30, 2012, 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 13, 2012, on the financial statements of Rialto Unified School District.

ASSOCIATED STUDENT BODY (ASB)

Kucera Middle School

Observations

During our review of associated student body procedures, the following issues were noted:

1. Revenue potential forms are not being used to document and control fundraising activities as they occur.
2. One out of eight the transactions reviewed did not have any supporting documentation.

Recommendations

1. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/losses and possible potential misappropriation of ASB funds. Analysis of actual profit/ loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.
2. All ASB disbursements should have supporting documents supporting the expenditure, including an invoice, requisition form and receiving documentation and should be kept with the student body bookkeeper so that they can be easily reviewed should the need arise.

Eisenhower High School

Observations

During the audit over the ASBs internal controls, we noted the following:

1. Cash collected during student store hours is not kept in a locked cash register or cash box.
2. Daily sales reports provide no explanation for shortages/overages. In addition, the daily sales reports are not completed correctly. Auditor noted items that did not foot/cross foot.
3. The ASB inventory is not reflected on the financial statements.

Recommendations

1. In order to adequately safeguard cash, the site should consider purchasing and using a locking cash register for the student store.
2. A daily sales recap should be prepared where the items sold are reconciled to the cash collected. All discrepancies between the items sold and monies collected should be investigated immediately and an explanation should be documented on the daily sales report. This analysis is necessary to determine if monies or merchandise has been lost or stolen.
3. The ASB should ensure that inventory held for sale has been properly accounted for to ensure accountability of all assets held. All inventory transactions should be documented on the general ledger, including purchases and sales to assist the physical inventory reconciliation process. By summarizing the inventory transactions and arriving at the ending inventory, the ASB has the ability to perform an analysis between the physical inventory and inventory reflected on the general ledger to determine if any unusual variances have taken place. The ASB should record the amount of the inventory on the balance sheet so that the assets are properly reflected on their financial statements.

Carter High School

Observations

During the audit over the ASBs internal controls, we noted the following:

1. Deposits are not being made in a timely manner. The number of days between the receipt date and deposit date ranged from 9 to 12 days. This resulted in a large cash balance of \$10,311 being maintained at the site.
2. Two disbursements did not have prior approval.
3. Receiving documentation was not present for 5 purchases made for goods.
4. Revenue potential forms are not completed for fundraising events.

Recommendations

1. Deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should communicate guidelines for such a procedure including the maximum cash on hand that should be maintained at the site.
2. All student body disbursements should be pre-approved by authorized administrative personnel and the student council. 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.
3. All expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.
4. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/ losses and possible potential misappropriation of ASB funds. Analysis of actual profit/loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.

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

Vourek, J. & Co., LLP

Rancho Cucamonga, California
December 13, 2012

