



Financial Statements
June 30, 2023

Rialto Unified School District

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Independent Auditor's Report

To the Governing Board
Rialto Unified School District
Rialto, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 12, 2023

This section of Rialto Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. 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 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 right-to-use leased assets, and right-to-use subscription IT assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Business-Type Activities – An enterprise fund operates as a business-type activity. Currently, the District has one enterprise fund, and the fund is used to operate the District's compressed natural gas station (CNG) station.

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. Department of Education.

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 the governmental fund financial statements.

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$285,024,605 for the fiscal year ended June 30, 2023. Of this amount, \$(196,120,634) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022 as restated
Assets		
Current and other assets	\$ 420,499,107	\$ 326,509,085
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	<u>338,786,641</u>	<u>334,778,714</u>
Total assets	<u>759,285,748</u>	<u>661,287,799</u>
Deferred outflows of resources	<u>104,112,805</u>	<u>69,835,664</u>
Liabilities		
Current liabilities	75,080,009	70,485,828
Long-term liabilities	<u>471,260,553</u>	<u>360,838,730</u>
Total liabilities	<u>546,340,562</u>	<u>431,324,558</u>
Deferred inflows of resources	<u>32,033,386</u>	<u>132,159,091</u>
Net Position		
Net investment in capital assets	267,635,391	255,824,388
Restricted	213,509,848	121,187,090
Unrestricted (deficit)	<u>(196,120,634)</u>	<u>(209,371,664)</u>
Total net position	<u>\$ 285,024,605</u>	<u>\$ 167,639,814</u>

The \$(196,120,634) in unrestricted net deficit of governmental activities represents the accumulated results of all past years’ operations. Unrestricted net deficit – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 6.3% (\$(196,120,634) compared to \$(209,371,664)).

Changes in Net Position

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

Table 2

	Governmental Activities	
	2023	2022*
Revenues		
Program revenues		
Charges for services and sales	\$ 2,300,853	\$ 1,439,413
Operating grants and contributions	205,484,228	116,552,704
Capital grants and contributions	21,011	(13,002)
General revenues		
Federal and State aid not restricted	306,586,802	274,262,437
Property taxes	57,999,998	50,257,786
Other general revenues	5,995,977	11,816,509
	<u>578,388,869</u>	<u>454,315,847</u>
Expenses		
Instruction-related	283,179,760	265,611,542
Pupil services	67,470,244	54,226,986
Administration	27,309,530	21,575,671
Plant services	52,176,856	36,776,082
All other services	30,867,688	40,302,462
	<u>461,004,078</u>	<u>418,492,743</u>
Change in net position	<u>\$ 117,384,791</u>	<u>\$ 35,823,104</u>

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$461,004,078. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$57,999,998 because the cost was paid by those who benefited from the programs (\$2,300,853) or by other governments and organizations who subsidized certain programs with grants and contributions (\$205,505,239). We paid for the remaining “public benefit” portion of our governmental activities with \$306,586,802 in State funds, and with \$5,995,977 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District’s largest functions: instruction-related, including special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022*	2023	2022*
Instruction-related	\$ 283,179,760	\$ 265,611,542	\$ (139,222,106)	\$ (190,931,277)
Pupil services	67,470,244	54,226,986	(20,419,525)	(19,233,986)
Administration	27,309,530	21,575,671	(22,873,022)	(17,307,652)
Plant services	52,176,856	36,776,082	(46,455,456)	(34,408,517)
All other services	30,867,688	40,302,462	(24,227,877)	(38,632,196)
Total	\$ 461,004,078	\$ 418,492,743	\$ (253,197,986)	\$ (300,513,628)

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$346,100,040, which is an increase of \$89,265,364 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General Fund	\$ 118,352,414	\$ 530,212,996	\$ 463,219,558	\$ 185,345,852
Student Activity Fund	1,364,211	2,001,223	1,673,044	1,692,390
Adult Education Fund	953,574	1,943,307	1,871,869	1,025,012
Child Development Fund	1,520,847	6,494,701	5,658,934	2,356,614
Cafeteria Fund	60,505,312	32,831,701	20,804,090	72,532,923
Building Fund	29,820,090	530,475	1,538,496	28,812,069
Capital Facilities Fund	9,987,994	2,446,827	904,544	11,530,277
County School Facilities Fund	725,570	21,011	746,581	-
Special Reserve Fund for Capital Outlay Projects	21,470,313	13,152,762	3,946,753	30,676,322
Bond Interest and Redemption Fund	12,134,351	10,756,621	10,762,391	12,128,581
Total	\$ 256,834,676	\$ 600,391,624	\$ 511,126,260	\$ 346,100,040

The primary reasons for these increases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$118.3 million to \$185.3 million. The District received additional restricted revenue that will be used to sustain fiscal solvency in future years, which is reflected in the fund balance.

2. The primary reason for the increase in the governmental funds arises from the increase in the Cafeteria Fund. The increase is primarily attributed to the increase in reimbursement rates for Breakfast, Lunch, Supper, and Snack meals. Furthermore, the Child Nutrition service area maximized the use of federal commodities, which provide a cost savings. Like the General Fund, supply chain delays affected the receipt of many orders for equipment purchases. The equipment will be re-ordered in 2023-2024 and paid from the fund’s reserves and the additional funds received from the Kitchen Infrastructure Grant.
3. Our special reserve fund has an increase from the prior year showing a net increase of approximately \$9.2 million. This change was a contribution from the General Fund to support several capital facilities projects, such as the Zupanic Virtual Academy, Milor High School Portable additions, the District Registration Center waiting area, and the renovations of several school kitchens and libraries.

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 21, 2023. (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 70).

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the District had \$338,786,641 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization). This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$4,007,927, or 1.2%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in progress	\$ 52,078,458	\$ 53,308,768
Buildings and improvements	251,513,616	266,264,016
Furniture and equipment	33,401,338	14,193,962
Right-to-use leased assets	75,875	872,330
Right-to-use subscription IT assets	1,717,354	139,638
Total	\$ 338,786,641	\$ 334,778,714

This year's additions of \$4,007,927 included the completion of Full Day Kinder classrooms, Myers Elementary Innovation Lab, Morris outdoor learning space, middle school e-sport labs, the upgrade of District network and the purchase of student devices. Proceeds from the issuance of general obligations bonds will be used for modernization, renovation, and construction of various school facilities in accordance with voter approved measures.

Several capital projects are planned for the 2023-2024 year. We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in the notes to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$471,260,553 in long-term liabilities outstanding versus \$360,838,730 last year, an increase of 30.6%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022 as restated
Long-Term Liabilities		
General obligation bonds	\$ 130,409,799	\$ 133,588,798
Unamortized debt premiums	2,641,531	2,864,906
Unamortized debt discounts	(192,920)	(264,153)
Leases	75,992	860,596
Subscription-based IT arrangements	894,502	139,638
Financed purchase agreement - energy upgrades	7,329,915	8,041,091
Financed purchase agreement - energy efficiency	340,173	471,853
City of Rialto redevelopment agency loan	4,216,838	4,254,888
Compensated absences	1,001,674	842,056
Supplemental early retirement plan	3,379,932	7,253,540
Net OPEB liability	27,771,829	28,123,647
Aggregate net pension liability	293,391,288	174,661,870
Total	\$ 471,260,553	\$ 360,838,730

We present more detailed information about our long-term liabilities in the notes to the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2022-2023 ARE NOTED BELOW:

In support of the District's literacy initiative, the District continued to provide a Reading Specialist in each classroom for grades 1 through 3. The District graduated 75 teachers from the District sponsored University of Southern California Literacy Added Authorization program.

The District continued supports to address socio-emotional needs of students by providing Psychologist, Emotional Health Therapist, Therapeutic Behavioral Strategist, Applied Behavior Analysis Specialist, Student Success Strategist, and Counselors.

The District completed the construction of the Milor High School kitchen, several Full Day Kinder classrooms, the Myers Innovation Lab, middle school e-sport labs, and the Morris outdoor learning space.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

The Local Control Funding Formula (LCFF) gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students. To ensure the funds are utilized effectively, the LCFF required the school district to prepare a Local Control Accountability Plan. This plan is a strategic planning and evaluation tool developed amongst the parent, community, and District stakeholders. It intends to increase public transparency and accountability for improving student achievement by utilizing dollars effectively.

The Rialto Unified School District budget was adopted on June 21, 2023, for the 2023-2024 school year. The district developed a cautious budget as the state is still in transition from the impacts of the COVID-19 pandemic. Revenues were forecast with an 8.22% adjustment for cost of living at the time of budget adoption. A conservative approach was taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 Lead Business Services Agent, at Rialto Unified School District, 182 E. Walnut Ave., Rialto, California, 92378.

Rialto Unified School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 378,377,921	\$ 493,894	\$ 378,871,815
Receivables	40,702,995	25,432	40,728,427
Prepaid expense	579,893	-	579,893
Stores inventories	838,298	-	838,298
Capital assets not depreciated	52,078,458	-	52,078,458
Capital assets, net of accumulated depreciation	284,914,954	-	284,914,954
Right-to-use leased assets, net of accumulated amortization	75,875	-	75,875
Right-to-use subscription IT assets, net of accumulated amortization	1,717,354	-	1,717,354
Total assets	<u>759,285,748</u>	<u>519,326</u>	<u>759,805,074</u>
Deferred Outflows of Resources			
Deferred charge on refunding	929,226	-	929,226
Deferred outflows of resources related to OPEB	10,594,207	-	10,594,207
Deferred outflows of resources related to pensions	92,589,372	-	92,589,372
Total deferred outflows of resources	<u>104,112,805</u>	<u>-</u>	<u>104,112,805</u>
Liabilities			
Accounts payable	59,533,851	1,314	59,535,165
Interest payable	680,942	-	680,942
Unearned revenue	14,865,216	-	14,865,216
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	12,444,930	-	12,444,930
Long-term liabilities other than OPEB and pensions due in more than one year	137,652,506	-	137,652,506
Net other postemployment benefits liability (OPEB)	27,771,829	-	27,771,829
Aggregate net pension liabilities	293,391,288	-	293,391,288
Total liabilities	<u>546,340,562</u>	<u>1,314</u>	<u>546,341,876</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	1,291,346	-	1,291,346
Deferred inflows of resources related to pensions	30,742,040	-	30,742,040
Total deferred inflows of resources	<u>32,033,386</u>	<u>-</u>	<u>32,033,386</u>
Net Position			
Net investment in capital assets	267,635,391	-	267,635,391
Restricted for			
Debt service	11,447,639	-	11,447,639
Capital projects	11,520,827	-	11,520,827
Educational programs	114,543,929	-	114,543,929
Child nutrition	71,986,389	-	71,986,389
Other restrictions	4,011,064	-	4,011,064
Unrestricted (deficit)	(196,120,634)	518,012	(195,602,622)
Total net position	<u>\$ 285,024,605</u>	<u>\$ 518,012</u>	<u>\$ 285,542,617</u>

Rialto Unified School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 229,560,716	\$ 49,614	\$ 132,371,536	\$ 21,011	\$ (97,118,555)	\$ -	\$ (97,118,555)
Instruction-related activities							
Supervision of instruction	17,527,980	4,373	7,071,022	-	(10,452,585)	-	(10,452,585)
Instructional library, media, and technology	5,385,019	-	218,067	-	(5,166,952)	-	(5,166,952)
School site administration	30,706,045	-	4,222,031	-	(26,484,014)	-	(26,484,014)
Pupil services							
Home-to-school transportation	9,292,467	-	2,477,648	-	(6,814,819)	-	(6,814,819)
Food services	19,753,001	2,890	34,806,273	-	15,056,162	-	15,056,162
All other pupil services	38,424,776	24,612	9,739,296	-	(28,660,868)	-	(28,660,868)
Administration							
Data processing	10,198,704	-	-	-	(10,198,704)	-	(10,198,704)
All other administration	17,110,826	2,006	4,434,502	-	(12,674,318)	-	(12,674,318)
Plant services	52,176,856	596,174	5,125,226	-	(46,455,456)	-	(46,455,456)
Ancillary services	1,673,044	-	2,001,223	-	328,179	-	328,179
Enterprise services	591	-	-	-	(591)	-	(591)
Interest on long-term liabilities	7,908,862	-	-	-	(7,908,862)	-	(7,908,862)
Other outgo	208,231	1,621,184	3,017,404	-	4,430,357	-	4,430,357
Depreciation and amortization (unallocated)	21,076,960	-	-	-	(21,076,960)	-	(21,076,960)
Total governmental activities	<u>461,004,078</u>	<u>2,300,853</u>	<u>205,484,228</u>	<u>21,011</u>	<u>(253,197,986)</u>	<u>-</u>	<u>(253,197,986)</u>
Business-Type Activities							
Enterprise services	<u>8,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,117)</u>	<u>(8,117)</u>
Total primary government	<u>\$ 461,012,195</u>	<u>\$ 2,300,853</u>	<u>\$ 205,484,228</u>	<u>\$ 21,011</u>	<u>(253,197,986)</u>	<u>(8,117)</u>	<u>(253,206,103)</u>

See Notes to Financial Statements

Rialto Unified School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues and Subventions							
Property taxes, levied for general purposes					\$ 42,435,793	\$ -	\$ 42,435,793
Property taxes, levied for debt service					10,254,797	-	10,254,797
Taxes levied for other specific purposes					5,309,408	-	5,309,408
Federal and State aid not restricted to specific purposes					306,586,802	-	306,586,802
Interest, investment earnings, and change in fair market valuations					2,600,563	4,778	2,605,341
Interagency revenues					16,752	-	16,752
Miscellaneous					3,378,662	129,970	3,508,632
Subtotal, general revenues and subventions					<u>370,582,777</u>	<u>134,748</u>	<u>370,717,525</u>
Change in Net Position					117,384,791	126,631	117,511,422
Net Position - Beginning, as restated					<u>167,639,814</u>	<u>391,381</u>	<u>168,031,195</u>
Net Position - Ending					<u>\$ 285,024,605</u>	<u>\$ 518,012</u>	<u>\$ 285,542,617</u>

Rialto Unified School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 228,402,721	\$ 66,600,288	\$ 28,956,208	\$ 54,418,704	\$ 378,377,921
Receivables	30,057,778	8,843,206	227,847	1,574,164	40,702,995
Due from other funds	2,862,301	64,398	-	7,132,775	10,059,474
Prepaid expenditures	570,443	-	-	9,450	579,893
Stores inventories	268,794	546,534	-	22,970	838,298
Total assets	\$ 262,162,037	\$ 76,054,426	\$ 29,184,055	\$ 63,158,063	\$ 430,558,581
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 55,130,158	\$ 1,677,992	\$ 371,986	\$ 2,353,715	\$ 59,533,851
Due to other funds	6,910,836	1,753,486	-	1,395,152	10,059,474
Unearned revenue	14,775,191	90,025	-	-	14,865,216
Total liabilities	76,816,185	3,521,503	371,986	3,748,867	84,458,541
Fund Balances					
Nonspendable	944,237	546,534	-	32,420	1,523,191
Restricted	114,543,929	71,986,389	28,812,069	27,660,472	243,002,859
Committed	10,153,352	-	-	-	10,153,352
Assigned	45,782,158	-	-	31,716,304	77,498,462
Unassigned	13,922,176	-	-	-	13,922,176
Total fund balances	185,345,852	72,532,923	28,812,069	59,409,196	346,100,040
Total liabilities and fund balances	\$ 262,162,037	\$ 76,054,426	\$ 29,184,055	\$ 63,158,063	\$ 430,558,581

Rialto Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

Total Fund Balance - Governmental Funds		\$ 346,100,040
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 631,318,547	
Accumulated depreciation is	<u>(294,325,135)</u>	
Net capital assets		336,993,412
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	224,023	
Accumulated amortization is	<u>(148,148)</u>	
Net right-to-use leased assets		75,875
Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use subscription IT assets is	2,355,520	
Accumulated amortization is	<u>(638,166)</u>	
Net right-to-use subscription IT assets		1,717,354
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(680,942)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	929,226	
Other postemployment benefits (OPEB) liability	10,594,207	
Aggregate net pension liability	<u>92,589,372</u>	
Total deferred outflows of resources		104,112,805
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB) liability	(1,291,346)	
Aggregate net pension liability	<u>(30,742,040)</u>	
Total deferred inflows of resources		(32,033,386)

Rialto Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (293,391,288)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(27,771,829)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (85,586,514)	
Unamortized premium on issuance	(2,641,531)	
Unamortized discount on issuance	192,920	
Leases	(75,992)	
Subscription-based IT arrangements	(894,502)	
Financed purchase agreement - energy upgrades	(7,329,915)	
Financed purchase agreement - energy efficiency	(340,173)	
City of Rialto redevelopment agency loan	(4,216,838)	
Compensated absences (vacations)	(1,001,674)	
Supplemental early retirement plan	(3,379,932)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is		(44,823,285)
		<u>(150,097,436)</u>
Total long-term liabilities		
		<u>\$ 285,024,605</u>

Rialto Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 338,445,051	\$ -	\$ -	\$ -	\$ 338,445,051
Federal sources	41,511,496	26,100,690	-	802,231	68,414,417
Other State sources	118,916,992	5,439,491	-	6,695,573	131,052,056
Other local sources	30,078,808	1,291,520	530,475	15,378,540	47,279,343
Total revenues	<u>528,952,347</u>	<u>32,831,701</u>	<u>530,475</u>	<u>22,876,344</u>	<u>585,190,867</u>
Expenditures					
Current					
Instruction	247,517,103	-	-	4,535,443	252,052,546
Instruction-related activities					
Supervision of instruction	17,911,190	-	-	264,947	18,176,137
Instructional library, media, and technology	5,610,832	-	-	-	5,610,832
School site administration	29,738,165	-	-	1,929,249	31,667,414
Pupil services					
Home-to-school transportation	9,528,274	-	-	-	9,528,274
Food services	175,802	19,955,410	-	-	20,131,212
All other pupil services	39,344,411	-	-	263,831	39,608,242
Administration					
Data processing	10,518,435	-	-	-	10,518,435
All other administration	16,171,089	397,726	-	311,048	16,879,863
Plant services	41,666,589	258,157	-	182,525	42,107,271
Ancillary services	-	-	-	1,673,044	1,673,044
Other outgo	208,231	-	-	-	208,231
Enterprise services	-	591	-	-	591
Facility acquisition and construction	28,463,756	-	1,538,496	5,641,638	35,643,890
Debt service					
Principal	1,982,096	-	-	9,167,578	11,149,674
Interest and other	443,477	-	-	1,594,813	2,038,290
Total expenditures	<u>449,279,450</u>	<u>20,611,884</u>	<u>1,538,496</u>	<u>25,564,116</u>	<u>496,993,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>79,672,897</u>	<u>12,219,817</u>	<u>(1,008,021)</u>	<u>(2,687,772)</u>	<u>88,196,921</u>
Other Financing Sources (Uses)					
Transfers in	192,206	-	-	13,940,108	14,132,314
Other sources - proceeds from SBITAs	1,068,443	-	-	-	1,068,443
Transfers out	(13,940,108)	(192,206)	-	-	(14,132,314)
Net Financing Sources (Uses)	<u>(12,679,459)</u>	<u>(192,206)</u>	<u>-</u>	<u>13,940,108</u>	<u>1,068,443</u>
Net Change in Fund Balances	66,993,438	12,027,611	(1,008,021)	11,252,336	89,265,364
Fund Balance - Beginning	118,352,414	60,505,312	29,820,090	48,156,860	256,834,676
Fund Balance - Ending	<u>\$ 185,345,852</u>	<u>\$ 72,532,923</u>	<u>\$ 28,812,069</u>	<u>\$ 59,409,196</u>	<u>\$ 346,100,040</u>

Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 89,265,364

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which capital outlay exceed depreciation and amortization expense in the period.

Capital outlay	\$ 26,542,683	
Depreciation and amortization expense	<u>(22,511,581)</u>	

Net expense adjustment		4,031,102
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (23,175)

Right-to-use subscription IT assets acquired this year were financed with subscription-based IT arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (1,068,443)

In the Statement of Activities, certain operating expenses, such as special termination benefits (SERP) 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 amount is the difference between SERP earned and used. 3,873,608

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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 amount is the difference between vacation earned and used. (159,618)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year. 13,723,448

Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

\$ 2,463,403

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	223,375
Discount amortization	(71,233)
Deferred charge on refunding amortization	(161,605)

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

General obligation bonds	9,167,578
Financed purchase agreement - energy upgrades	711,176
Financed purchase agreement - energy efficiency	131,680
City of Rialto redevelopment agency loan	38,050
Leases	784,604
Subscription-based IT arrangements	313,579

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(5,858,102)

Change in net position of governmental activities

\$ 117,384,791

Rialto Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2023

	<u>Enterprise Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 493,894
Receivables	<u>25,432</u>
Total current assets	<u>519,326</u>
Liabilities	
Current liabilities	
Accounts payable	<u>1,314</u>
Net Position	
Unrestricted	<u><u>\$ 518,012</u></u>

Rialto Unified School District
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Enterprise Fund
Operating Revenues	
Charges for services	\$ 129,970
Operating Expenses	
Other operating cost	8,117
Operating Income	121,853
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(4,386)
Interest income	9,164
Total nonoperating revenues	4,778
Change in Net Position	126,631
Total Net Position - Beginning	391,381
Total Net Position - Ending	\$ 518,012

Rialto Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Enterprise Fund
Operating Activities	
Cash receipts from customers	\$ 117,450
Cash payments to other suppliers of goods or services	(7,971)
	109,479
Net Cash From Operating Activities	
Investing Activities	
Net gain on investments	2,350
	111,829
Net Change in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	382,065
Cash and Cash Equivalents, Ending	\$ 493,894
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 121,853
Changes in assets and liabilities	
Receivables	(12,520)
Accounts payable	146
	109,479
Net Cash From Operating Activities	\$ 109,479

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, a continuation high school, an alternative high school, an adult education school, a preschool program, and an infant program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also 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. 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. For financial reporting purposes, the component unit described below 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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are 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 was 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 direct benefit of the District.

The Rialto Unified School District School Facilities Corporation's financial activity is presented in the financial statements within the General Fund. Financed purchase agreement – energy upgrades liability secured by the Corporation is included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, *Deferred Maintenance Fund*, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$10,124,449.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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 used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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

Capital Project Funds The Capital Project Funds are used to account for financial resources to be used for 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 approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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 Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no internal service funds. The District has the following proprietary fund:

- **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 only enterprise fund of the District accounts for the financial transactions related to the compressed natural gas stations operated by the District.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. 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*, except for depreciation and amortization of leased assets and subscription IT assets. 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 position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their 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. In the governmental fund financial statements, each major fund is presented in a separate column and non-major governmental funds are aggregated and presented in a single column. In the proprietary fund financial statements, the District's non-major enterprise fund is presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the 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 balances 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 government-wide statements.

Cash and Cash Equivalents

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

Investments

Investments 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.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition 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 is computed using 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

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

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 Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities of the governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset.

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or useful life of the underlying asset. The amortization period varies from two to nine years.

Fund Balances - Governmental Funds

As of June 30, 2023, 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 - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$213,509,848 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. 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.

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 in 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.

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.

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard are included in Notes 4 and 8.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 378,377,921
Proprietary funds	<u>493,894</u>
Total deposits and investments	<u><u>\$ 378,871,815</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 1,643,005
Cash with fiscal agent	160
Cash in revolving	105,000
Investments	<u>377,123,650</u>
Total deposits and investments	<u><u>\$ 378,871,815</u></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.

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 investing in the San Bernardino County Treasury Investment Pool. The San Bernardino County Treasury Investment Pool purchase a combination of shorter term and longer-term investments and by timing 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.

Specific Identification

The District maintains an investment of \$377,123,650 with the San Bernardino County Treasury Investment Pool which has a weighted average maturity of 539 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Ratings.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District’s bank balance of \$1,345,863 was exposed to custodial credit risk because it was uninsured and 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, 2023, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 16,208,066	\$ 6,710,416	\$ -	\$ 389,884	\$ 23,308,366	\$ -
State Government						
Categorical aid	9,814,850	1,491,347	-	117,929	11,424,126	-
Lottery	1,405,511	-	-	-	1,405,511	-
Local Government						
Interest	1,495,049	475,749	227,847	318,221	2,516,866	3,246
Other local sources	1,134,302	165,694	-	748,130	2,048,126	22,186
	<u>\$ 30,057,778</u>	<u>\$ 8,843,206</u>	<u>\$ 227,847</u>	<u>\$ 1,574,164</u>	<u>\$ 40,702,995</u>	<u>\$ 25,432</u>

Note 4 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	13,556,283	33,117,216	(34,347,526)	12,325,973
Total capital assets not being depreciated	53,308,768	33,117,216	(34,347,526)	52,078,458
Capital assets being depreciated				
Land improvements	47,008,767	2,442,962	-	49,451,729
Buildings and improvements	472,993,864	1,009,463	-	474,003,327
Furniture and equipment	33,869,330	22,104,686	(188,983)	55,785,033
Total capital assets being depreciated	553,871,961	25,557,111	(188,983)	579,240,089
Total capital assets	607,180,729	58,674,327	(34,536,509)	631,318,547
Accumulated depreciation				
Land improvements	(23,051,249)	(2,216,593)	-	(25,267,842)
Buildings and improvements	(230,687,366)	(15,986,232)	-	(246,673,598)
Furniture and equipment	(19,675,368)	(2,874,135)	165,808	(22,383,695)
Total accumulated depreciation	(273,413,983)	(21,076,960)	165,808	(294,325,135)
Net depreciable capital assets	280,457,978	4,480,151	(23,175)	284,914,954
Right-to-use leased assets being amortized				
Furniture and equipment	1,134,892	-	(910,869)	224,023
Accumulated amortization				
Furniture and equipment	(262,562)	(796,455)	910,869	(148,148)
Net right-to-use leased assets	872,330	(796,455)	-	75,875
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	139,638	2,215,882	-	2,355,520
Accumulated amortization	-	(638,166)	-	(638,166)
Net right-to-use subscription IT assets	139,638	1,577,716	-	1,717,354
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 334,778,714	\$ 38,378,628	\$ (34,370,701)	\$ 338,786,641

Depreciation and amortization expense were charged to the governmental functions as follows:

Governmental Activities	
Depreciation expense	
Unallocated	\$ 21,076,960
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Amortization expense	
Instruction	\$ 407,997
Supervision of instruction	149,020
Data processing services	81,149
All other administration	745,931
Plant services	50,524
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Total amortization expense	\$ 1,434,621
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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, 2023, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,753,486	\$ 1,108,815	\$ 2,862,301
Cafeteria Fund	64,398	-	-	64,398
Non-Major Governmental Funds	6,846,438	-	286,337	7,132,775
Total	\$ 6,910,836	\$ 1,753,486	\$ 1,395,152	\$ 10,059,474

A balance of \$209,490 is due from the Adult Education Non-Major Governmental Fund to the General Fund for reimbursement of operating expenses, including indirect costs.

A balance of \$899,325 is due from the Child Development Non-Major Governmental Fund to the General Fund for reimbursement of operating expenses, including indirect costs.

A balance of \$1,753,486 is due from the Cafeteria Fund to the General Fund for reimbursement of operating expenses, including indirect costs.

A balance of \$1,122,643 is due from the General Fund to the Child Development Non-Major Governmental Fund for transfer of grant revenue and reimbursement of indirect costs.

A balance of \$64,398 is due from the General Fund to the Cafeteria Fund for nutrition service charges.

A balance of \$5,723,795 is due from the General Fund to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to support school kitchen projects and deferred maintenance projects.

A balance of \$286,337 is due from the County School Facilities Non-Major Governmental Fund to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of project costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer To	Transfer From		Total Governmental Activities
	General Fund	Cafeteria Fund	
General Fund	\$ -	\$ 192,206	\$ 192,206
Non-Major Governmental Funds	<u>13,940,108</u>	<u>-</u>	<u>13,940,108</u>
Total		<u>\$ 192,206</u>	<u>\$ 14,132,314</u>
The Cafeteria Fund transferred to the General Fund for reimbursement of equipment costs.			\$ 192,206
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions to support the District's preschool program.			1,108,725
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to set aside reserve for future capital outlay projects.			<u>12,831,383</u>
Total			<u>\$ 14,132,314</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 11,231,226	\$ 102,073	\$ -	\$ 159,348	\$ 11,492,647	\$ -
LCFF apportionment	2,878,478	-	-	-	2,878,478	-
Due to CDE	6,663,574	-	-	-	6,663,574	-
Other payables	<u>34,356,880</u>	<u>1,575,919</u>	<u>371,986</u>	<u>2,194,367</u>	<u>38,499,152</u>	<u>1,314</u>
Total	<u>\$ 55,130,158</u>	<u>\$ 1,677,992</u>	<u>\$ 371,986</u>	<u>\$ 2,353,715</u>	<u>\$ 59,533,851</u>	<u>\$ 1,314</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Cafeteria Fund	Total Governmental Activities
Federal financial assistance	\$ 12,994,104	\$ 90,025	\$ 13,084,129
State categorical aid	<u>1,781,087</u>	<u>-</u>	<u>1,781,087</u>
Total	<u>\$ 14,775,191</u>	<u>\$ 90,025</u>	<u>\$ 14,865,216</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 133,588,798	\$ 5,988,579	\$ (9,167,578)	\$ 130,409,799	\$ 9,459,806
Unamortized debt premiums	2,864,906	-	(223,375)	2,641,531	-
Unamortized debt discounts	(264,153)	-	71,233	(192,920)	-
Leases	860,596	-	(784,604)	75,992	72,609
Subscription-based IT arrangements	139,638	1,068,443	(313,579)	894,502	321,640
Financed purchase agreement - energy upgrades	8,041,091	-	(711,176)	7,329,915	730,378
Financed purchase agreement - energy efficiency	471,853	-	(131,680)	340,173	131,680
City of Rialto redevelopment agency loan	4,254,888	-	(38,050)	4,216,838	38,851
Compensated absences	842,056	159,618	-	1,001,674	-
Supplemental early retirement plan	7,253,540	-	(3,873,608)	3,379,932	1,689,966
Total	\$ 158,053,213	\$ 7,216,640	\$ (15,172,417)	\$ 150,097,436	\$ 12,444,930

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the leases, subscription-based IT arrangements, financed purchased agreement – energy upgrades, financed purchase agreement - energy efficiency, City of Rialto redevelopment agency loan, and supplemental early retirement plan are paid by the General Fund. The compensated absences will be paid by the General Fund, the Adult Education Fund, the Child Development Fund, and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
6/1/2000	6/1/2025	4.75 - 6.25%	\$ 19,995,038	\$ 4,411,903	\$ 279,574	\$ (1,662,578)	\$ 3,028,899
3/17/2011	8/1/2041	7.35%	26,932,187	62,341,988	5,018,127	-	67,360,115
3/17/2011	8/1/2026	5.28 - 6.91%	9,695,000	7,885,000	-	(1,300,000)	6,585,000
5/17/2012	8/1/2028	2.00 - 5.00%	29,865,000	15,440,000	-	(2,155,000)	13,285,000
3/26/2015	8/1/2027	1.26 - 4.13%	32,015,000	13,995,000	-	(3,035,000)	10,960,000
12/5/2019	8/1/2044	2.00 - 4.00%	29,356,650	29,514,907	690,878	(1,015,000)	29,190,785
				\$ 133,588,798	\$ 5,988,579	\$ (9,167,578)	\$ 130,409,799

1999 General Obligation Bonds, Series A

On June 1, 2000, Rialto Unified School District issued the 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038. The Series A bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$18,734,962, and an aggregate principal debt service balance of \$38,730,000. The bonds have a final maturity to occur on June 1, 2025 and interest rates of 4.75 to 6.25%. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2023, the principal outstanding, including accreted interest, was \$3,028,899.

2010 General Obligation Bonds, Series 2011A

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011A in the amount of \$26,932,187. The Series 2011A bonds were issued as capital and convertible capital appreciation bonds. The capital appreciation bonds were issued in the amount of \$10,043,817 with an accretion value of \$27,516,183 and an aggregate principal debt service balance of \$37,560,000. The convertible capital appreciation bonds were issued in the amount of \$16,888,370 with an accretion value of \$34,336,630 and an aggregate principal debt service balance of \$51,225,000 at the conversion date of August 1, 2041. At June 30, 2023, the principal outstanding, including accreted interest, was \$67,360,115.

2010 General Obligation Bonds, Series 2011B

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000. The Series 2011B bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026 and interest rates of 5.28 to 6.91%. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2023, the principal outstanding was \$6,585,000.

General Obligation Refunding Bonds, Series 2012

On May 17, 2012, Rialto Unified School District issued the General Obligation Refunding Bonds, Series 2012 in the amount of \$29,865,000. The bonds have a final maturity to occur on August 1, 2028 and interest rates of 2.00 to 5.00%. Proceeds from the sale of bonds were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C. At June 30, 2023, the principal outstanding was \$13,285,000.

2010 General Obligation Bonds, Series 2015

On March 26, 2015, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2015 in the amount of \$32,015,000. The Series 2015 bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2027 and interest rates of 1.26 to 4.13%. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2023, the principal outstanding was \$10,960,000.

2010 General Obligation Bonds, Series 2019

On December 5, 2019, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2019 in the amount of \$29,356,650. The Series 2019 bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$22,703,350, and an aggregate principal debt service balance of \$52,060,000. The bonds have a final maturity to occur on August 1, 2044 and interest rates of 2.00 to 4.00%. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2023, the principal outstanding, including accreted interest, was \$29,190,785.

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2024	\$ 9,360,878	\$ 98,928	\$ 1,294,165	\$ 10,753,971
2025	9,813,021	191,979	994,696	10,999,696
2026	9,005,000	-	658,911	9,663,911
2027	8,303,116	1,356,884	2,267,494	11,927,494
2028	5,977,774	417,226	3,961,861	10,356,861
2029-2033	12,280,861	8,039,139	18,877,850	39,197,850
2034-2038	20,182,565	25,252,435	18,535,781	63,970,781
2039-2043	41,428,900	15,546,099	6,847,628	63,822,627
2044-2045	14,057,684	14,157,316	-	28,215,000
Total	<u>\$ 130,409,799</u>	<u>\$ 65,060,006</u>	<u>\$ 53,438,386</u>	<u>\$ 248,908,191</u>

Leases

The District has entered into agreements to lease various equipment. As of June 30, 2023, the District recognized a right-to-use asset of \$75,875 and a lease liability of \$75,992 related to these agreements. The District is required to make principal and interest payments through July 2024. The lease agreements have an interest rate of 3.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 72,609	\$ 1,437	\$ 74,046
2025	3,383	9	3,392
Total	<u>\$ 75,992</u>	<u>\$ 1,446</u>	<u>\$ 77,438</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for the use of various software. At June 30, 2023, the District has recognized right-to-use subscription IT assets of \$1,717,354 and a SBITA liability of \$894,502 related to these agreements. During the fiscal year, the District recorded \$638,166 in amortization expense. The District is required to make annual principal and interest payments through July 2026. The subscriptions have an interest rate of 3.00%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 321,640	\$ 26,835	\$ 348,475
2025	247,540	17,186	264,726
2026	157,781	9,760	167,541
2027	<u>167,541</u>	<u>5,026</u>	<u>172,567</u>
Total	<u>\$ 894,502</u>	<u>\$ 58,807</u>	<u>\$ 953,309</u>

Financed Purchase Agreement – Energy Upgrade

On October 27, 2017, the Rialto Unified School District entered into a financed purchase agreement with the Rialto Unified School District School Facilities Corporation (the Corporation). The terms of the agreement stipulates that the District would lease a property owned by the District to the Corporation and the Corporation would sublease the property back to the District, including the energy efficiency renovations performed on the property. Lease payment period commenced on March 30, 2018 and the final lease payment is set to occur on March 30, 2032. At June 30, 2023, the principal balance outstanding was \$7,329,915.

The lease payments are due through March 30, 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 730,378	\$ 197,908	\$ 928,286
2025	750,098	178,187	928,285
2026	770,351	157,935	928,286
2027	791,150	137,135	928,285
2028	812,511	115,774	928,285
2029-2032	<u>3,475,427</u>	<u>237,716</u>	<u>3,713,143</u>
Total	<u>\$ 7,329,915</u>	<u>\$ 1,024,655</u>	<u>\$ 8,354,570</u>

Financed Purchase Agreement - Energy Efficiency Financing

On January 24, 2019, the District entered into a financed purchase agreement with Southern California Edison Company to participate in SCE’s “On-Bill Financing Program.” The program allows SCE to provide interest free financing for the installation of various energy efficient equipment which is to be repaid over a specified period through the customer’s electricity bill. The District financed \$905,871 under the financing agreement. Under the terms of the agreement, monthly payments of \$10,873 will be paid over 83 months. As of June 30, 2023, the remaining balance was \$340,173.

The future remaining payments are as follows:

Year Ending June 30,	Principal
2024	\$ 131,680
2025	131,680
2026	76,813
Total	\$ 340,173

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 material for the design, installation and/or construction of a football stadium at Rialto High School. \$976,242 of the proceeds was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA. During 2008, the District borrowed an additional \$3,390,000 to complete the project.

The 2005 and 2008 RDA loans were refinanced by the City of Rialto during the 2014-2015 and 2018-2019 fiscal years, respectively, resulting in a revised debt service schedules provided to the District by the City of Rialto. Effective February 1, 2012, the RDA was dissolved under the Redevelopment Dissolution Act and debt service payments are now paid directly to the City of Rialto. As of June 30, 2023, the principal balance outstanding was \$4,216,838.

Future payments on the City of Rialto Redevelopment Agency Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 38,851	\$ 200,958	\$ 239,809
2025	40,053	199,016	239,069
2026	41,254	197,013	238,267
2027	44,058	194,950	239,008
2028	45,660	192,747	238,407
2029-2033	1,778,964	808,079	2,587,043
2034-2038	2,227,998	303,528	2,531,526
Total	\$ 4,216,838	\$ 2,096,291	\$ 6,313,129

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$1,001,674.

Supplemental Early Retirement Plan (SERP)

During 2020-2021 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were 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 120 employees who retired during the 2020-2021 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2023, the total balance of outstanding obligations for the supplemental early retirement plan was \$3,379,932.

Future payments for the SERP are as follows:

Year Ending June 30,	Principal
2024	\$ 1,689,966
2025	1,689,966
Total	\$ 3,379,932

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 26,564,547	\$ 10,594,207	\$ 1,291,346	\$ 3,835,580
Medicare Premium Payment (MPP) Program	1,207,282	-	-	(163,104)
Total	\$ 27,771,829	\$ 10,594,207	\$ 1,291,346	\$ 3,672,476

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Rialto Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: <https://calpers.ca.gov/pages/forms-publications>.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	242
Active employees	1,935
	2,177
Total	2,177

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the 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 contributions is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreement with the District, REA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2022, the District contributed \$6,619,092 to the Plan to fund the OPEB Trust. Of this amount, \$3,487,080 was used to pay for benefits provided to retiree.

Net OPEB Liability of the District

The District’s net OPEB liability of \$26,564,547 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2023 were as follows:

Total OPEB liability	\$ 44,277,425
Plan fiduciary net position	<u>(17,712,878)</u>
Net OPEB liability	<u>\$ 26,564,547</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>40.00%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00% average, including inflation
Investment rate of return	5.50% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00% for 2022

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2022	\$ 43,517,764	\$ 16,764,503	\$ 26,753,261
Service cost	1,846,327	-	1,846,327
Interest	2,400,414	-	2,400,414
Employer contributions	-	6,619,092	(6,619,092)
Net investment income	-	(2,178,689)	2,178,689
Benefit payments	(3,487,080)	(3,487,080)	-
Administrative expense	-	(4,948)	4,948
Net change in total OPEB liability	759,661	948,375	(188,714)
Balance, June 30, 2023	\$ 44,277,425	\$ 17,712,878	\$ 26,564,547

There were no changes in benefit terms since the last measurement date. Additionally, there were no changes of assumptions from the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (4.50%)	\$ 29,901,437
Current discount rate (5.50%)	26,564,547
1% increase (6.50%)	23,477,010

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5.00%)	\$ 22,230,483
Current healthcare cost trend rate (6.00%)	26,564,547
1% increase (7.00%)	31,566,914

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$3,835,580. At June 30, 2023, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,462,797	\$ -
Differences between expected and actual experience	881,417	1,291,346
Changes of assumptions	2,439,461	-
Net difference between projected and actual earnings on OPEB plan investments	1,810,532	-
Total	\$ 10,594,207	\$ 1,291,346

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the net OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 694,012
2025	728,495
2026	764,862
2027	1,037,980
2028	409,810
Thereafter	204,905
Total	\$ 3,840,064

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$1,207,282 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.3665%, and 0.3436%, resulting in a net increase in the proportionate share of 0.0229%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(163,104).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 1,316,169
Current discount rate (3.54%)	1,207,282
1% increase (4.54%)	1,112,999

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,107,726
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,207,282
1% increase (5.50% Part A and 6.40% Part B)	1,320,134

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 105,000	\$ -	\$ -	\$ -	\$ 105,000
Stores inventories	268,794	546,534	-	22,970	838,298
Prepaid expenditures	570,443	-	-	9,450	579,893
Total nonspendable	<u>944,237</u>	<u>546,534</u>	<u>-</u>	<u>32,420</u>	<u>1,523,191</u>
Restricted					
Legally restricted programs	114,543,929	-	-	-	114,543,929
Student activity	-	-	-	1,669,420	1,669,420
Adult education	-	-	-	1,025,012	1,025,012
Child development	-	-	-	1,316,632	1,316,632
Food service	-	71,986,389	-	-	71,986,389
Capital projects	-	-	28,812,069	42,197,149	71,009,218
Debt service	-	-	-	12,128,581	12,128,581
Total restricted	<u>114,543,929</u>	<u>71,986,389</u>	<u>28,812,069</u>	<u>27,660,472</u>	<u>243,002,859</u>
Committed					
Literacy and numeracy	<u>10,153,352</u>	-	-	-	<u>10,153,352</u>
Assigned					
Upcoming deficit	35,105,013	-	-	-	35,105,013
Deferred maintenance	10,124,449	-	-	-	10,124,449
Child care	-	-	-	1,039,982	1,039,982
Capital outlay	-	-	-	30,676,322	30,676,322
Other	552,696	-	-	-	552,696
Total assigned	<u>45,782,158</u>	<u>-</u>	<u>-</u>	<u>31,716,304</u>	<u>77,498,462</u>
Unassigned					
Reserve for economic uncertainties	<u>13,922,176</u>	-	-	-	<u>13,922,176</u>
Total	<u>\$ 185,345,852</u>	<u>\$ 72,532,923</u>	<u>\$ 28,812,069</u>	<u>\$ 59,409,196</u>	<u>\$ 346,100,040</u>

Note 11 - Risk Management

The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for workers' compensation coverage and property and liability insurance. Refer to Note 14 for additional information regarding the JPAs.

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District participated in Southern California Regional Liability Excess Fund (SCR) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023, the District participated in the Protected Insurance Program for Schools (PIPS), a public entity risk pool for workers' compensation insurance coverage. The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with various commercial insurance carriers to provide employee health benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 169,686,008	\$ 49,083,403	\$ 27,118,250	\$ 15,118,640
CalPERS	123,705,280	43,505,969	3,623,790	17,302,703
Total	<u>\$ 293,391,288</u>	<u>\$ 92,589,372</u>	<u>\$ 30,742,040</u>	<u>\$ 32,421,343</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$29,551,896.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share	
Proportionate share of net pension liability	\$ 169,686,008
State's proportionate share of the net pension liability	84,978,089
Total	\$ 254,664,097

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.2442% and 0.2286%, resulting in a net increase in the proportionate share of 0.0156%.

For the year ended June 30, 2023, the District recognized pension expense of \$15,118,640. In addition, the District recognized pension expense and revenue of \$6,853,427 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 29,551,896	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	10,977,121	6,097,368
Differences between projected and actual earnings on pension plan investments	-	8,297,973
Differences between expected and actual experience in the measurement of the total pension liability	139,195	12,722,909
Changes of assumptions	8,415,191	-
Total	\$ 49,083,403	\$ 27,118,250

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2024	\$ (6,095,477)
2025	(6,603,418)
2026	(9,919,676)
2027	14,320,598
Total	\$ (8,297,973)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 5,530,743
2025	(1,788,355)
2026	(1,194,401)
2027	(1,468,533)
2028	(1,121,660)
Thereafter	753,436
Total	\$ 711,230

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 288,189,776
Current discount rate (7.10%)	169,686,008
1% increase (8.10%)	71,292,250

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$16,592,895.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$123,705,280. The net pension liability was measured as of June 30, 2022. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.3595% and 0.3474%, resulting in a net increase in the proportionate share of 0.0121%.

For the year ended June 30, 2023, the District recognized pension expense of \$17,302,703. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 16,592,895	\$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	2,596,758	545,845
Differences between projected and actual earnings on pension plan investments	14,606,228	-
Differences between expected and actual experience in the measurement of the total pension liability	559,075	3,077,945
Changes of assumptions	9,151,013	-
Total	\$ 43,505,969	\$ 3,623,790

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2024	\$ 2,435,855
2025	2,160,435
2026	1,103,576
2027	8,906,362
Total	\$ 14,606,228

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 3,111,407
2025	2,878,740
2026	2,704,724
2027	(11,815)
Total	\$ 8,683,056

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 178,698,540
Current discount rate (6.90%)	123,705,280
1% increase (7.90%)	78,255,371

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 \$13,632,250 (10.828% 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.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Special Education Building Renovation	\$ 3,199,823	June 30, 2024
Milor High School Portables	127,487	December 31, 2023
Zupanic Virtual Academy	828,026	June 30, 2024
Central Kitchen Walk-In Freezer	1,541,816	June 30, 2023
Elementary Kitchen Renovations	42,760	June 30, 2026
Distict Central Kitchen Facility	29,700	June 30, 2026
District Waiting Parent Area	418,621	August 30, 2024
International Healing Garden	1,351,870	December 31, 2024
Baseball Field Lighting	160,000	December 31, 2024
Marquee Projects	156,275	June 30, 2023
Carter High School Perimeter Fence	403,312	December 31, 2023
Rialto High School Retaining Wall	37,000	October 31, 2023
Elementary Playgrounds Renovations	30,340	June 30, 2025
Eisenhower High School Two-Story Building	38,368,009	June 30, 2025
Total	\$ 46,695,039	

Note 14 - Participation in Public Entity Risk Pools, Joint Powers Authorities

The District is a member of the Southern California ReLIEF (SCR) and Protection Insurance Program for Schools (PIPS) public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property and liability coverage. The relationships between the District, the pools, 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 generally available from the respective entities.

During the year ended June 30, 2023, the District made payments of \$2,744,215 and \$6,068,537 to SCR and PIPS, respectively.

Note 15 - Subsequent Events

On July 11, 2023, the District issued \$79,996,360 of the Rialto Unified School District, General Obligation Bonds, Election of 2022, Series 2023. The bonds were issued as current interest bonds and capital appreciation bonds. The bonds have a final maturity date of August 1, 2052, with interest rates of 3.57 to 4.95 percent. The bonds were issued at an aggregate price of \$82,524,057 (including a premium of \$2,527,698 and after payment of \$1,003,590 for issuance costs). Proceeds from sale of bond will be used to finance the construction, reconstruction, rehabilitation, and replacement projects approved by the voters of the District and to pay certain costs of issuance associated therewith.

Note 16 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 167,639,814
Right-to-use subscription IT assets, net of amortization	139,638
Subscription liabilities	<u>(139,638)</u>
Net Position - Beginning, as restated on July 1, 2022	<u>\$ 167,639,814</u>



Required Supplementary Information
June 30, 2023

Rialto Unified School District

Rialto Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 324,475,179	\$ 338,445,052	\$ 338,445,051	\$ (1)
Federal sources	45,723,101	49,973,044	41,511,496	(8,461,548)
Other State sources	56,641,003	122,554,270	118,916,992	(3,637,278)
Other local sources	20,720,072	31,221,921	30,078,808	(1,143,113)
Total revenues ¹	<u>447,559,355</u>	<u>542,194,287</u>	<u>528,952,347</u>	<u>(13,241,940)</u>
Expenditures				
Current				
Certificated salaries	174,480,440	179,774,295	162,418,832	17,355,463
Classified salaries	63,274,541	68,708,275	63,026,497	5,681,778
Employee benefits	134,557,829	131,916,401	121,313,209	10,603,192
Books and supplies	35,475,711	47,375,033	27,740,124	19,634,909
Services and operating expenditures	68,462,386	76,091,909	53,561,479	22,530,430
Other outgo	(734,674)	(866,429)	2,763,229	(3,629,658)
Capital outlay	14,407,403	18,451,345	16,030,507	2,420,838
Debt service				
Debt service - principal	880,909	1,150,542	1,982,096	(831,554)
Debt service - interest and other	419,973	420,610	443,477	(22,867)
Total expenditures ¹	<u>491,224,518</u>	<u>523,021,981</u>	<u>449,279,450</u>	<u>73,742,531</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(43,665,163)</u>	<u>19,172,306</u>	<u>79,672,897</u>	<u>60,500,591</u>
Other Financing Sources (Uses)				
Transfers in	-	-	192,206	192,206
Other sources - proceeds from SBITAs	-	-	1,068,443	1,068,443
Transfers out	(2,108,725)	(21,327,241)	(13,940,108)	7,387,133
Net financing sources (uses)	<u>(2,108,725)</u>	<u>(21,327,241)</u>	<u>(12,679,459)</u>	<u>8,647,782</u>
Net Change in Fund Balances	(45,773,888)	(2,154,935)	66,993,438	69,148,373
Fund Balance - Beginning	<u>118,352,414</u>	<u>118,352,414</u>	<u>118,352,414</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 72,578,526</u>	<u>\$ 116,197,479</u>	<u>\$ 185,345,852</u>	<u>\$ 69,148,373</u>

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, they are not included in the original and final General Fund budgets.

Rialto Unified School District
 Budgetary Comparison Schedule – Cafeteria Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 18,980,610	\$ 23,202,335	\$ 26,100,690	\$ 2,898,355
Other State sources	1,037,968	4,556,693	5,439,491	882,798
Other local sources	534,000	622,630	1,291,520	668,890
Total revenues	<u>20,552,578</u>	<u>28,381,658</u>	<u>32,831,701</u>	<u>4,450,043</u>
Expenditures				
Current				
Classified salaries	6,077,543	6,084,547	5,466,690	617,857
Employee benefits	2,493,673	2,494,541	3,113,139	(618,598)
Books and supplies	12,718,605	18,489,735	10,553,124	7,936,611
Services and operating expenditures	729,038	704,533	439,560	264,973
Other outgo	485,618	473,733	397,726	76,007
Capital outlay	2,025,000	2,028,052	641,645	1,386,407
Total expenditures	<u>24,529,477</u>	<u>30,275,141</u>	<u>20,611,884</u>	<u>9,663,257</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,976,899)</u>	<u>(1,893,483)</u>	<u>12,219,817</u>	<u>(5,213,214)</u>
Other Financing Uses				
Transfers out	-	-	(192,206)	(192,206)
Net Change in Fund Balances	(3,976,899)	(1,893,483)	12,027,611	13,921,094
Fund Balance - Beginning	<u>60,505,312</u>	<u>60,505,312</u>	<u>60,505,312</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 56,528,413</u>	<u>\$ 58,611,829</u>	<u>\$ 72,532,923</u>	<u>\$ 13,921,094</u>

Rialto Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 1,846,327	\$ 1,685,763	\$ 1,527,692
Interest	2,400,414	2,198,223	2,159,813
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	1,201,931	-
Changes of assumptions	-	1,871,644	-
Benefit payments	<u>(3,487,080)</u>	<u>(3,397,978)</u>	<u>(2,903,079)</u>
Net change in total OPEB liability	759,661	3,559,583	784,426
Total OPEB Liability - Beginning	<u>43,517,764</u>	<u>39,958,181</u>	<u>39,173,755</u>
Total OPEB Liability - Ending (a)	<u>\$ 44,277,425</u>	<u>\$ 43,517,764</u>	<u>\$ 39,958,181</u>
Plan Fiduciary Net Position			
Employer contribution	\$ 6,619,092	\$ 4,713,862	\$ 6,002,713
Net investment income	(2,178,689)	1,950,804	794,194
Benefit payments	(3,487,080)	(3,397,978)	(2,903,079)
Administrative expense	<u>(4,948)</u>	<u>(5,169)</u>	<u>(6,180)</u>
Net change in plan fiduciary net position	948,375	3,261,519	3,887,648
Plan Fiduciary Net Position - Beginning	<u>16,764,503</u>	<u>13,502,984</u>	<u>9,615,336</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,712,878</u>	<u>\$ 16,764,503</u>	<u>\$ 13,502,984</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 26,564,547</u>	<u>\$ 26,753,261</u>	<u>\$ 26,455,197</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	<u>40.00%</u>	<u>38.52%</u>	<u>33.79%</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,324,117	\$ 1,442,282	\$ 1,400,274
Interest	2,267,816	2,092,781	2,008,596
Changes of benefit terms	494,652	-	-
Difference between expected and actual experience	(2,810,578)	-	-
Changes of assumptions	2,322,127	-	-
Benefit payments	(1,768,631)	(2,110,240)	(1,904,338)
Net change in total OPEB liability	1,829,503	1,424,823	1,504,532
Total OPEB Liability - Beginning	37,344,252	35,919,429	34,414,897
Total OPEB Liability - Ending (a)	<u>\$ 39,173,755</u>	<u>\$ 37,344,252</u>	<u>\$ 35,919,429</u>
Plan Fiduciary Net Position			
Employer contribution	\$ 1,768,631	\$ 5,102,064	\$ 4,468,974
Net investment income	708,849	425,356	189,251
Benefit payments	(1,768,631)	(2,110,240)	(1,904,338)
Administrative expense	(1,932)	(10,258)	(2,225)
Net change in plan fiduciary net position	706,917	3,406,922	2,751,662
Plan Fiduciary Net Position - Beginning	8,908,419	5,501,497	2,749,835
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,615,336</u>	<u>\$ 8,908,419</u>	<u>\$ 5,501,497</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 29,558,419</u>	<u>\$ 28,435,833</u>	<u>\$ 30,417,932</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	24.55%	23.85%	15.32%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.3665%	0.3436%	0.3496%
Proportionate share of the net OPEB liability	\$ 1,207,282	\$ 1,370,386	\$ 1,703,425
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.4114%	0.4039%	0.4164%
Proportionate share of the net OPEB liability	\$ 1,532,133	\$ 1,546,048	\$ 1,751,648
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability	0.2442%	0.2286%	0.2307%	0.2326%	0.2250%
Proportionate share of the net pension liability	\$ 169,686,008	\$ 104,015,934	\$ 223,552,587	\$ 210,050,732	\$ 206,790,750
State's proportionate share of the net pension liability	<u>84,978,089</u>	<u>52,336,784</u>	<u>115,241,385</u>	<u>114,596,698</u>	<u>118,397,956</u>
Total	<u>\$ 254,664,097</u>	<u>\$ 156,352,718</u>	<u>\$ 338,793,972</u>	<u>\$ 324,647,430</u>	<u>\$ 325,188,706</u>
Covered payroll	<u>\$ 141,460,189</u>	<u>\$ 126,364,186</u>	<u>\$ 126,246,263</u>	<u>\$ 126,404,410</u>	<u>\$ 120,818,288</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>119.95%</u>	<u>82.31%</u>	<u>177.08%</u>	<u>166.17%</u>	<u>171.16%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability		0.2300%	0.2280%	0.2290%	0.2020%
Proportionate share of the net pension liability		\$ 212,704,000	\$ 184,408,680	\$ 154,171,960	\$ 118,042,470
State's proportionate share of the net pension liability		<u>125,834,915</u>	<u>104,996,028</u>	<u>81,539,753</u>	<u>71,280,019</u>
Total		<u>\$ 338,538,915</u>	<u>\$ 289,404,708</u>	<u>\$ 235,711,713</u>	<u>\$ 189,322,489</u>
Covered payroll		<u>\$ 120,654,817</u>	<u>\$ 116,779,730</u>	<u>\$ 104,660,822</u>	<u>\$ 100,458,242</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		<u>176.29%</u>	<u>157.91%</u>	<u>147.31%</u>	<u>117.50%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.3595%	0.3474%	0.3493%	0.3418%	0.3266%
Proportionate share of the net pension liability	\$ 123,705,280	\$ 70,645,936	\$ 107,190,624	\$ 99,613,229	\$ 87,081,842
Covered payroll	\$ 55,534,570	\$ 50,188,957	\$ 50,704,280	\$ 47,724,604	\$ 43,453,969
Proportionate share of the net pension liability as a percentage of its covered payroll	222.75%	140.76%	211.40%	208.73%	200.40%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.3192%	0.3108%	0.3249%	0.3270%
Proportionate share of the net pension liability		\$ 76,201,465	\$ 61,383,192	\$ 47,890,581	\$ 37,122,462
Covered payroll		\$ 41,551,721	\$ 38,822,917	\$ 35,822,623	\$ 34,558,848
Proportionate share of the net pension liability as a percentage of its covered payroll		183.39%	158.11%	133.69%	107.42%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 29,551,896	\$ 23,935,064	\$ 20,407,816	\$ 21,588,111	\$ 20,578,638
Less contributions in relation to the contractually required contribution	<u>29,551,896</u>	<u>23,935,064</u>	<u>20,407,816</u>	<u>21,588,111</u>	<u>20,578,638</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 154,721,969</u>	<u>\$ 141,460,189</u>	<u>\$ 126,364,186</u>	<u>\$ 126,246,263</u>	<u>\$ 126,404,410</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 17,434,079	\$ 15,178,376	\$ 12,530,465	\$ 9,293,881
Less contributions in relation to the contractually required contribution		<u>17,434,079</u>	<u>15,178,376</u>	<u>12,530,465</u>	<u>9,293,881</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 120,818,288</u>	<u>\$ 120,654,817</u>	<u>\$ 116,779,730</u>	<u>\$ 104,660,822</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Rialto Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 16,592,895	\$ 12,722,970	\$ 10,389,114	\$ 9,999,391	\$ 8,620,018
Less contributions in relation to the contractually required contribution	<u>16,592,895</u>	<u>12,722,970</u>	<u>10,389,114</u>	<u>9,999,391</u>	<u>8,620,018</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 65,403,607</u>	<u>\$ 55,534,570</u>	<u>\$ 50,188,957</u>	<u>\$ 50,704,280</u>	<u>\$ 47,724,604</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 6,748,836	\$ 5,770,703	\$ 4,599,351	\$ 4,216,681
Less contributions in relation to the contractually required contribution		<u>6,748,836</u>	<u>5,770,703</u>	<u>4,599,351</u>	<u>4,216,681</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 43,453,969</u>	<u>\$ 41,551,721</u>	<u>\$ 38,822,917</u>	<u>\$ 35,822,623</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

These schedules presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – There were no changes of assumptions since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Rialto Unified School District

Rialto Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Education - Basic Grants to States ELA	84.002	14508	\$ 334,360
Adult Education - Basic Grants to States Secondary	84.002	13978	<u>120,525</u>
Subtotal			<u>454,885</u>
Title I Grant to Local Educational Agencies - Low Income and Neglected			
	84.010	14329	9,501,064
Title I Grant to Local Educational Agencies - School Improvement Funding			
	84.010	15438	<u>905,288</u>
Subtotal			<u>10,406,352</u>
English Language Acquisition State Grants - Immigrant Student Program			
	84.365	15146	14,859
English Language Acquisition State Grants - English Learner Student Program			
	84.365	14346	<u>695,288</u>
Subtotal			<u>710,147</u>
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,748,521
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	5,012,556
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	10,986,260
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	457,644
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	238,190
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	643,805
COVID 19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	1,705
COVID 19 Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	<u>20,857</u>
Subtotal			<u>21,109,538</u>
Supporting Effective Instruction State Grants			
	84.367	14341	1,485,218
Student Support and Academic Enrichment Program			
	84.424	15396	1,076,042
Twenty-First Century Community Learning Centers			
	84.287	14535	241,775
Career and Technical Education - Basic Grants to States			
	84.048	14894	280,864
Passed Through East Valley SELPA			
Special Education Cluster (IDEA)			
COVID 19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	947,250
COVID 19: ARP IDEA Part B, Sec.611, Local Assistance Private School Individual Services Plans (ISPs)	84.027	10169	332
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,409,873
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	1,580
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>281,099</u>
Subtotal			<u>5,640,134</u>

Rialto Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
COVID 19: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	\$ 80,462
Preschool Grants, Part B, Sec 619	84.173	13430	80,676
Preschool Staff Development, Part B, Sec 619	84.173A	13431	644
Subtotal			<u>161,782</u>
Total Special Education Cluster (IDEA)			<u>5,801,916</u>
Total U.S. Department of Education			<u>41,566,737</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program (NSL Sec 4)	10.555	13523	2,388,975
National School Lunch Program (NSL Sec 11)	10.555	13524	9,775,575
National School Lunch Program - Meal Supplements	10.555	13755	348,478
National School Lunch Program - Commodities	10.555	13524	1,290,346
Subtotal			<u>13,803,374</u>
School Breakfast Program - Especially Needy	10.553	13526	8,895,628
Summer Food Services Program for Children - Operations	10.559	13004	771,265
Fresh Fruit and Vegetable Program (FFVP)	10.582	14968	684,196
Total Child Nutrition Cluster			<u>24,154,463</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program			
Centers and Family Day Care Homes	10.558	13529	1,811,384
Cash in Lieu of Commodities	10.558	13534	134,843
Subtotal			<u>1,946,227</u>
Forest Services Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	55,723
Total Forest Services Schools and Roads Cluster			<u>55,723</u>
Total U.S. Department of Agriculture			<u>26,156,413</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	[1]	294,905
Total U.S. Department of Defense			<u>294,905</u>
Federal Communications Commission			
Emergency Connectivity Fund Program	32.009	[1]	49,016
Total Federal Communications Commission			<u>49,016</u>
Total Federal Financial Assistance			<u>\$ 68,067,071</u>

[1] Pass-Through Entity Identifying Number not available.

ORGANIZATION

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, a continuation high school, an alternative high school, an adult education school, a preschool program, and an infant program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mrs. Stephanie E. Lewis	President	2024
Mrs. Nancy G. O’Kelley	Vice President	2024
Mr. Joseph W. Martinez	Clerk	2024
Mrs. Evelyn P. Dominguez	Member	2026
Mr. Edgar Montes	Member	2026

ADMINISTRATION

Dr. Cuauhtémoc Avila	Superintendent
Dr. Rhea McIver Gibbs	Lead Strategic Agent
Diane Romo	Lead Business Services Agent
Nicole Albiso	Lead Fiscal Services Agent

Rialto Unified School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
	<u>57FEFF4A</u>	<u>5BEC1B7B</u>
Regular ADA		
Transitional kindergarten through third	6,611.70	6,611.55
Fourth through sixth	4,967.73	4,953.62
Seventh and eighth	3,246.62	3,232.74
Ninth through twelfth	6,948.26	6,872.34
Total Regular ADA	<u>21,774.31</u>	<u>21,670.25</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.97	0.97
Fourth through sixth	0.99	0.99
Seventh and eighth	3.59	3.61
Ninth through twelfth	10.47	11.45
Total Special Education, Nonpublic, Nonsectarian Schools	<u>16.02</u>	<u>17.02</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.06	0.06
Seventh and eighth	0.05	0.05
Ninth through twelfth	0.58	0.58
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.69</u>	<u>0.69</u>
Total ADA	<u><u>21,791.02</u></u>	<u><u>21,687.96</u></u>

Rialto Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Traditional Calendar			Multitrack Calendar			Status
			Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	51,001	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400								
Grade 1		51,001	180	-	180	N/A	N/A	N/A	Complied
Grade 2		51,001	180	-	180	N/A	N/A	N/A	Complied
Grade 3		51,001	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000								
Grade 4		54,684	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,684	180	-	180	N/A	N/A	N/A	Complied
Grade 6		62,350	180	-	180	N/A	N/A	N/A	Complied
Grade 7		62,350	180	-	180	N/A	N/A	N/A	Complied
Grade 8		62,350	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800								
Grade 9		65,550	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,550	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,550	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,550	180	-	180	N/A	N/A	N/A	Complied

Rialto Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	\$ 186,439,068
Decrease in Prepaid expenses	<u>(1,093,216)</u>
Balance, June 30, 2023, Audited Financial Statements	<u><u>\$ 185,345,852</u></u>

Rialto Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund ³				
Revenues	\$ 511,483,981	\$ 528,844,043	\$ 414,637,425	\$ 396,519,898
Other sources	-	2,273,019	-	-
Total revenues and other sources	<u>511,483,981</u>	<u>531,117,062</u>	<u>414,637,425</u>	<u>396,519,898</u>
Expenditures	552,852,474	443,646,271	398,257,270	351,511,212
Other uses	6,319,626	21,327,241	15,435,681	9,863,097
Total expenditures and other uses	<u>559,172,100</u>	<u>464,973,512</u>	<u>413,692,951</u>	<u>361,374,309</u>
Increase/(Decrease) in Fund Balance	<u>(47,688,119)</u>	<u>66,143,550</u>	<u>944,474</u>	<u>35,145,589</u>
Ending Fund Balance	<u>\$ 127,533,284</u>	<u>\$ 175,221,403</u>	<u>\$ 109,077,853</u>	<u>\$ 108,133,379</u>
Available Reserves ²	<u>\$ 16,102,902</u>	<u>\$ 13,922,176</u>	<u>\$ 18,748,935</u>	<u>\$ 14,665,227</u>
Available Reserves as a Percentage of Total Outgo	<u>2.88%</u>	<u>2.99%</u>	<u>4.53%</u>	<u>4.06%</u>
Long-Term Liabilities, as Restated	<u>N/A</u>	<u>\$ 471,260,553</u>	<u>\$ 360,838,730</u>	<u>\$ 524,688,033</u>
K-12 Average Daily Attendance at P-2	<u>21,270</u>	<u>21,791</u>	<u>21,770</u>	<u>24,042</u>

The General Fund balance has increased by \$67,088,024 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$47,688,119 (27.2%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$53,427,480 over the past two years.

Average daily attendance has decreased by 2,251 over the past two years. An additional decline of 521 in ADA is anticipated during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are 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 General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

Rialto Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ 1,643,005	\$ 825,466	\$ 2,108,230	\$ 11,297,427
Receivables	74,476	513,684	163,776	606,301
Due from other funds	-	-	1,122,643	-
Prepaid expenditures	-	-	-	9,450
Stores inventories	22,970	-	-	-
	<u>1,740,451</u>	<u>1,339,150</u>	<u>3,394,649</u>	<u>11,913,178</u>
Total assets	<u>\$ 1,740,451</u>	<u>\$ 1,339,150</u>	<u>\$ 3,394,649</u>	<u>\$ 11,913,178</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 48,061	\$ 104,648	\$ 138,710	\$ 382,901
Due to other funds	-	209,490	899,325	-
	<u>48,061</u>	<u>314,138</u>	<u>1,038,035</u>	<u>382,901</u>
Total liabilities	<u>48,061</u>	<u>314,138</u>	<u>1,038,035</u>	<u>382,901</u>
Fund Balances				
Nonspendable	22,970	-	-	9,450
Restricted	1,669,420	1,025,012	1,316,632	11,520,827
Assigned	-	-	1,039,982	-
	<u>1,692,390</u>	<u>1,025,012</u>	<u>2,356,614</u>	<u>11,530,277</u>
Total fund balances	<u>1,692,390</u>	<u>1,025,012</u>	<u>2,356,614</u>	<u>11,530,277</u>
Total liabilities and fund balances	<u>\$ 1,740,451</u>	<u>\$ 1,339,150</u>	<u>\$ 3,394,649</u>	<u>\$ 11,913,178</u>

Rialto Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 323,515	\$ 26,092,480	\$ 12,128,581	\$ 54,418,704
Receivables	3,636	212,291	-	1,574,164
Due from other funds	-	6,010,132	-	7,132,775
Prepaid expenditures	-	-	-	9,450
Stores inventories	-	-	-	22,970
	<u>327,151</u>	<u>32,314,903</u>	<u>12,128,581</u>	<u>63,158,063</u>
Total assets	\$ 327,151	\$ 32,314,903	\$ 12,128,581	\$ 63,158,063
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 40,814	\$ 1,638,581	\$ -	\$ 2,353,715
Due to other funds	286,337	-	-	1,395,152
	<u>327,151</u>	<u>1,638,581</u>	<u>-</u>	<u>3,748,867</u>
Total liabilities	327,151	1,638,581	-	3,748,867
Fund Balances				
Nonspendable	-	-	-	32,420
Restricted	-	-	12,128,581	27,660,472
Assigned	-	30,676,322	-	31,716,304
	<u>-</u>	<u>30,676,322</u>	<u>12,128,581</u>	<u>59,409,196</u>
Total fund balances	-	30,676,322	12,128,581	59,409,196
Total liabilities and fund balances	\$ 327,151	\$ 32,314,903	\$ 12,128,581	\$ 63,158,063

Rialto Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ -	\$ 454,885	\$ -	\$ -
Other State sources	-	1,477,545	5,154,704	-
Other local sources	<u>2,001,223</u>	<u>10,877</u>	<u>231,272</u>	<u>2,446,827</u>
Total revenues	<u>2,001,223</u>	<u>1,943,307</u>	<u>5,385,976</u>	<u>2,446,827</u>
Expenditures				
Current				
Instruction	-	804,434	3,731,009	-
Instruction-related activities				
Supervision of instruction	-	12,824	252,123	-
School site administration	-	791,305	1,137,944	-
Pupil services				
All other pupil services	-	187,026	76,805	-
Administration				
All other administration	-	63,398	247,650	-
Plant services	-	12,882	169,643	-
Ancillary services	1,673,044	-	-	-
Facility acquisition and construction	-	-	43,760	904,544
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	<u>1,673,044</u>	<u>1,871,869</u>	<u>5,658,934</u>	<u>904,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>328,179</u>	<u>71,438</u>	<u>(272,958)</u>	<u>1,542,283</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>1,108,725</u>	<u>-</u>
Net Change in Fund Balances	328,179	71,438	835,767	1,542,283
Fund Balance - Beginning	<u>1,364,211</u>	<u>953,574</u>	<u>1,520,847</u>	<u>9,987,994</u>
Fund Balance - Ending	<u>\$ 1,692,390</u>	<u>\$ 1,025,012</u>	<u>\$ 2,356,614</u>	<u>\$ 11,530,277</u>

Rialto Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ 347,346	\$ 802,231
Other State sources	-	-	63,324	6,695,573
Other local sources	<u>21,011</u>	<u>321,379</u>	<u>10,345,951</u>	<u>15,378,540</u>
Total revenues	<u>21,011</u>	<u>321,379</u>	<u>10,756,621</u>	<u>22,876,344</u>
Expenditures				
Current				
Instruction	-	-	-	4,535,443
Instruction-related activities				
Supervision of instruction	-	-	-	264,947
School site administration	-	-	-	1,929,249
Pupil services				
All other pupil services	-	-	-	263,831
Administration				
All other administration	-	-	-	311,048
Plant services	-	-	-	182,525
Ancillary services	-	-	-	1,673,044
Facility acquisition and construction	746,581	3,946,753	-	5,641,638
Debt service				
Principal	-	-	9,167,578	9,167,578
Interest and other	-	-	1,594,813	1,594,813
Total expenditures	<u>746,581</u>	<u>3,946,753</u>	<u>10,762,391</u>	<u>25,564,116</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(725,570)</u>	<u>(3,625,374)</u>	<u>(5,770)</u>	<u>(2,687,772)</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>12,831,383</u>	<u>-</u>	<u>13,940,108</u>
Net Change in Fund Balances	(725,570)	9,206,009	(5,770)	11,252,336
Fund Balance - Beginning	<u>725,570</u>	<u>21,470,313</u>	<u>12,134,351</u>	<u>48,156,860</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 30,676,322</u>	<u>\$ 12,128,581</u>	<u>\$ 59,409,196</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Rialto Unified School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District did not report any commodities inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the Qualified School Construction Bonds federal interest subsidy, which is excluded from the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and, therefore, is not presented in the Schedule of Expenditures of Federal Awards.

	<u>Federal Financial Assistance Listing Number</u>	<u>Amount</u>
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 68,414,417
Qualified School Construction Bonds Interest Subsidy	[1]	<u>(347,346)</u>
Total federal financial assistance		<u>\$ 68,067,071</u>

[1] Federal Assistance Listing number not available

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. The District has met its target funding. 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 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

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

These schedules are 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.



Independent Auditor's Reports
June 30, 2023

Rialto Unified School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Governing Board
Rialto Unified School District
Rialto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 12, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 12, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rialto Unified School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Rancho Cucamonga, California
December 12, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Rialto Unified School District
Rialto, California

Report on Compliance

Opinion on State Compliance

We have audited Rialto Unified School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
 School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
 Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 12, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Rialto Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Title I Grant to Local Educational Agencies - Low Income and Neglected	84.010
Title I Grant to Local Educational Agencies - School Improvement Funding	84.010
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID 19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID 19 Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C
Dollar threshold used to distinguish between type A and type B programs	\$2,042,012
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

The following finding represents a significant deficiency and an instance of noncompliance that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2023-001 50000 – Title I, Part A – Annual Report Card, High School Graduation Rate

Federal Program Affected

Federal Agency: U.S. Department of Education
Pass-Through Entity: California Department of Education
Program Name: Title I, Part A, Basic Grants Low-Income and Neglected and School Improvement Funding for LEAs
Assistance Listing Number: 84.010
Compliance Requirement: N (Special Tests & Provisions) Annual Report Card, High School Graduation Rate

Criteria or Specific Requirements

Local Education Agencies (LEAs) must report graduation rate data for all public high schools at the school and LEA levels using the four-year adjusted cohort rate and, at an LEA's discretion, one or more extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by the subgroups in Section 1111(c)(2) of the Elementary and Secondary Education Act (ESEA), homeless status, status as a child in foster care using a four-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates) (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(23), (25)(20 USC 6311(h)(1)(C)(iii)(II) and 7801(23), (25))). Written documentation must be maintained to remove a student from the cohort.

Condition

The District did not adequately maintain written documentation for five of the nine sampled students that were removed from the cohort.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition was identified through review of supporting documentation for a sample of students who were identified as removed from the cohort on the California Longitudinal Pupil Achievement Data System (CALPADS) 15.2 Cohort Outcome report. Five of the nine sampled students identified as removed from the cohort on the CALPADS 15.2 Cohort Outcome report did not have adequate written documentation to support the removal of the students from the cohort. We determined the condition to be systematic for students transferring to schools within the United States.

Effect

The District has not complied with the requirement to maintain written documentation to remove a student from the cohort.

Cause

The condition arose due to lack of sufficient internal controls over compliance related to removal of students from the cohort. For students transferring to other schools within the United States, the District was not aware of the requirement to maintain documentation from the receiving school regarding the transfer.

Repeat Finding

No.

Recommendation

The District should ensure that they meet all of the requirements of ESEA. The District should revise their procedures to ensure that adequate written documentation for all students removed from the cohort is maintained and data inputted into the system is accurate.

Corrective Action Plan and Views of Responsible Officials

The District will revisit the drop protocols with staff to ensure that all required documentation is on file prior to processing drop code in the calpads.

The following finding represents a significant deficiency and an instance of noncompliance that is required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
70000	Instructional Materials

2023-002 70000 – Instructional Materials

Criteria or Specific Requirements

Pursuant to Education Code 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year.

Condition

The District held the public hearing on October 19, 2022, which was not within the first eight weeks of the start of school.

Questioned Costs

There are no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and through the review of available District records.

Effect

The District has not complied with the requirements set forth under *Education Code* Section 60119 for the 2022-2023 fiscal year.

Cause

The District was aware of the requirement; however, the deadline was missed due to improper oversight.

Repeat Finding

No.

Recommendation

We recommend the District make every effort to place the sufficiency of instructional materials on the board agenda for review and approval before or on the eight weeks from the first day pupils attend school for that year. The District should designate a management employee with the responsibility to ensure that the public hearing is placed on the board agenda before the eight weeks have passed.

Corrective Action Plan and Views of Responsible Officials

The District has implemented procedures that will ensure compliance. The service area responsible for compliance with Williams Settlement legislation has calendared this compliance requirement to ensure required posting is available within the first eight weeks of school.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2022-001 30000 – Internal Control Over Financial Reporting

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified a material misstatement of balances presented within the District's General Fund, as reported on the 2021-2022 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a receivable of \$6,176,813 related to the Federal Emergency Connectivity Fund program. This resulted in an understatement of revenues reported in the General Fund by \$6,176,813.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2021-2022 unaudited financial statements.

Effect

The effect of this error resulted in a misstatement that was not detected or prevented by the District's internal control. As reported on the 2021-2022 unaudited financial statements, the District's General Fund ending fund balance was understated by \$6,176,813 as of June 30, 2022.

Cause

The cause of the condition identified appears to be attributed to an oversight related to a new federal program. In conjunction, the condition identified appears to be due to the inadequate review process related to the preparation of the District's year-end financial statements, which includes the review of revenues and accounts receivables to determine their proper reporting period.

Recommendation

In light of the condition identified, the District should exercise care during its annual year-end closing process. The District should implement a process to review all balances during its year-end closing process to determine the proper cut-off period for revenues.

Current Status

Implemented.

State Compliance Finding

2022-002 40000 – Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported eligibility status for a total of 71 students for Free or Reduced-Price Meals (FRPM) designation on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a net decrease of \$137,231 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition, related to FRPM status, was identified when we requested supporting documents for the sample of students' FRPM status. The students were selected from the pupils in the FRPM category on the CALPADS Form 1.18. 11 of 120 students tested was categorized as Free/Reduced; however, the alternative income verification form did not support the status. The auditor inquired further with the District and determined that the District had not reviewed the data to ensure accuracy. The District provided the auditor with a revised count and it was noted that the District overreported its FRPM count by 71.

Effect

As a result of our testing, it appears that the District did not properly analyze the alternative household income data collection forms to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Certified Total Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for EL	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
24,098	20,830	0	0	(71)	24,098	20,759

Cause

The condition identified, related to FRPM, has materialized due to the District's lack of review process to ensure accuracy of the data reported in CALPADS.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Current Status

Implemented.