



**RIALTO UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 57 and 58, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

Vavimbo, Irvine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010



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Deputy Superintendent
Business Services

This section of Rialto Unified School District's (the District) 2009-2010 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010, with comparative information for June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$325.5 million for the fiscal year ended June 30, 2010, and \$351.1 million for the fiscal year ended June 30, 2009. Of this amount, \$18.5 million and \$32.8 million were unrestricted for June 30, 2010, and June 30, 2009, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Table 1

(Amounts in millions)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>School District Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and other assets	\$ 77.2	\$ 115.9	\$ 9.9	\$ 7.4	\$ 87.1	\$ 123.3
Capital assets	335.0	327.5	10.1	10.6	345.1	338.1
Total Assets	412.2	443.4	20.0	18.0	432.2	461.4
Liabilities						
Current liabilities	16.2	27.4	-	-	16.2	27.4
Long-term obligations	90.5	82.9	-	-	90.5	82.9
Total Liabilities	106.7	110.3	-	-	106.7	110.3
Net Assets						
Invested in capital assets, net of related debt	264.4	254.8	10.1	10.6	274.5	265.4
Restricted	32.5	52.9	-	-	32.5	52.9
Unrestricted	8.6	25.4	9.9	7.4	18.5	32.8
Total Net Assets	\$ 305.5	\$ 333.1	\$ 20.0	\$ 18.0	\$ 325.5	\$ 351.1

The \$8.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 0.4	\$ 1.4	\$ 1.6	\$ 2.1	\$ 2.0	\$ 3.5
Operating grants and contributions	57.4	57.0	13.5	12.1	70.9	69.1
Capital grants and contributions	0.2	21.4	-	-	0.2	21.4
General revenues:						
Federal and State aid not restricted	138.5	156.1	-	-	138.5	156.1
Property taxes	14.7	15.9	-	-	14.7	15.9
Other general revenues	8.3	20.2	-	-	8.3	20.2
Total Revenues	219.5	272.0	15.1	14.2	234.6	286.2
Expenses						
Instruction-related	185.2	186.1	-	-	185.2	186.1
Student support services	16.0	15.7	-	-	16.0	15.7
Administration	13.8	13.3	-	-	13.8	13.3
Maintenance and operations	27.9	28.5	-	-	27.9	28.5
Food services	-	-	13.2	13.6	13.2	13.6
Other	4.2	4.4	-	-	4.2	4.4
Total Expenses	247.1	248.0	13.2	13.6	260.3	261.6
Excess (Deficiency)	(27.6)	24.0	1.9	0.6	(25.7)	24.6
Transfers	-	(3.0)	-	3.0	-	-
Change in Net Assets	\$ (27.6)	\$ 21.0	\$ 1.9	\$ 3.6	\$ (25.7)	\$ 24.6

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 14, the cost of all of the District's activities this year was \$260.3 million and \$261.6 million for June 30, 2010, and June 30, 2009, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$14.7 million and \$15.9 million for June 30, 2010, and June 30, 2009. The cost was paid by those who benefited from the programs, \$2.0 million and \$3.5 million for June 30, 2010, and June 30, 2009, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$71.1 million and \$90.5 million for June 30, 2010, and June 30, 2009, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$146.8 million and \$176.3 million for June 30, 2010, and June 30, 2009, respectively, in State funds and with other revenues, like interest and general entitlements.

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 150.0	\$ 148.9	\$ 118.4	\$ 98.0
Instruction-related activities	17.9	20.1	6.0	3.9
School administration	17.3	17.1	14.6	14.0
Home-to-school transportation	3.9	3.8	2.1	2.9
Other pupil services	12.1	11.9	7.7	8.3
General administration	13.8	13.3	10.6	9.7
Plant services	27.9	28.5	26.7	27.5
Other	4.2	4.4	3.0	3.9
Total	\$ 247.1	\$ 248.0	\$ 189.1	\$ 168.2

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$60.4 million as of June 30, 2010, which is a decrease of \$26.9 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2009	Revenues	Expenditures	June 30, 2010
General Fund	\$ 53.4	\$ 210.0	\$ 220.0	\$ 43.4
County School Facilities	21.7	0.2	16.9	5.0
Adult Education	0.2	0.3	0.4	0.1
Child Development	0.8	3.8	3.2	1.4
Deferred Maintenance	2.2	0.1	0.4	1.9
Capital Facilities	3.5	1.6	1.7	3.4
Special Reserve Capital Outlay	0.2	-	-	0.2
Bond Interest and Redemption	5.3	4.1	4.5	4.9
COP Debt Service	-	1.2	1.1	0.1
Total	\$ 87.3	\$ 221.3	\$ 248.2	\$ 60.4

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

The primary reasons for these decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$10.0 million to \$53.4 million. This decrease is due to the decrease in State revenue limit.
- b. Our County School Facilities Fund and Capital Facilities Fund showed a net decrease of approximately \$16.8 million due to the completion of various modernization projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2010. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 58.

- Significant revenue revisions made to the 2009-2010 Budget were due to increased funding from State and Federal Grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, and June 30, 2009, the District had \$345.0 million and \$338.1 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$6.9 million, or 2.0 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and construction in progress	\$ 63.6	\$ 88.1	\$ -	\$ -	\$ 63.6	\$ 88.1
Buildings and improvements	253.2	220.4	9.6	10.1	262.8	230.5
Furniture and equipment	18.1	19.0	0.5	0.5	18.6	19.5
Total	\$ 334.9	\$ 327.5	\$ 10.1	\$ 10.6	\$ 345.0	\$ 338.1

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Several capital projects are planned for the 2010-11 year. We anticipate major capital additions to be \$35 million for the 2010-11 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Middle School Classroom Addition #6	\$ 1,484,769	02/01/11
Elementary #19	478,528	10/01/10
	<u>\$ 1,963,297</u>	

Measure Y, a general obligation bond was passed by taxpayers on November 2, 2010, for \$98 million to modernize District schools. A facilities committee will start on December 15, 2010. The committee will discuss projects and timelines and the amount of the first issuance.

Long-Term Obligations

At the end of this year, the District had \$90.5 million in long-term obligations outstanding versus \$82.9 million last year, a slight increase from the previous year.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds (financed with property taxes)	\$ 50.9	\$ 52.8	\$ -	\$ -	\$ 50.9	\$ 52.8
Certificates of participation	14.4	14.8	-	-	14.4	14.8
Child care facilities revolving fund	0.5	0.7	-	-	0.5	0.7
City of Rialto	5.9	6.0	-	-	5.9	6.0
Other	18.8	8.6	-	-	18.8	8.6
Total	<u>\$ 90.5</u>	<u>\$ 82.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90.5</u>	<u>\$ 82.9</u>

The District's general obligation bond rating continues to be "A-". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$50.9 million is below the statutorily-imposed limit.

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

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2010-11 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Financial

1. 0.36 percent projected student enrollment decline.
2. (0.39) percent Cost of Living Adjustment (COLA) on Revenue Limit and all other Revenues and with a 17.963 percent deficit.
3. Negotiations with unions for salary increases are settled or tentatively settled in 2009-10.
4. A \$815 increase for health and welfare benefits for each full-time employee.
5. Utility costs projected to increase by 2.00 percent.
6. Developer fee collections are based on estimated new housing units to be constructed.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	32:1	2,054
Grades one and two	32:1	4,021
Grades three through five	32:1	6,202
Grades six through eight	28:1	6,344
Grades nine through twelve	28:1	<u>8,454</u>
Total		<u><u>27,075</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Deposits and investments	\$ 33,935,393	\$ 8,024,104	\$ 41,959,497
Receivables	39,174,433	1,955,509	41,129,942
Internal balances	475,841	(475,841)	-
Prepaid expenses	2,174,012	-	2,174,012
Stores inventories	79,457	372,843	452,300
Deferred cost on issuance	1,408,492	-	1,408,492
Capital assets			
Land and work in process	63,550,456	-	63,550,456
Other capital assets	390,007,852	13,891,001	403,898,853
Less: accumulated depreciation	(118,621,174)	(3,778,051)	(122,399,225)
Total Capital Assets	<u>334,937,134</u>	<u>10,112,950</u>	<u>345,050,084</u>
Total Assets	<u>412,184,762</u>	<u>19,989,565</u>	<u>432,174,327</u>
LIABILITIES			
Accounts payable	13,929,358	14,405	13,943,763
Accrued interest payable	1,077,935	-	1,077,935
Deferred revenue	1,151,320	-	1,151,320
Long-term obligations			
Current portion of long-term obligations	5,554,101	-	5,554,101
Noncurrent portion of long-term obligations	84,958,361	-	84,958,361
Total Long-Term Obligations	<u>90,512,462</u>	<u>-</u>	<u>90,512,462</u>
Total Liabilities	<u>106,671,075</u>	<u>14,405</u>	<u>106,685,480</u>
NET ASSETS			
Invested in capital assets, net of related debt	264,383,626	10,112,950	274,496,576
Restricted for:			
Debt service	3,892,002	-	3,892,002
Capital projects	8,424,871	-	8,424,871
Educational programs	16,803,319	-	16,803,319
Other activities	3,442,600	-	3,442,600
Unrestricted	8,567,269	9,862,210	18,429,479
Total Net Assets	<u>\$ 305,513,687</u>	<u>\$ 19,975,160</u>	<u>\$ 325,488,847</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 149,969,169	\$ -	\$ 31,308,109	\$ 243,584
Instruction-related activities:				
Supervision of instruction	15,021,812	-	11,831,935	-
Instructional library, media, and technology	2,958,160	-	142,510	-
School site administration	17,273,551	-	2,725,953	-
Pupil services:				
Home-to-school transportation	3,906,065	-	1,786,743	-
Food services	39,467	-	-	-
All other pupil services	12,082,113	-	4,417,113	-
General administration:				
Data processing	3,733,517	-	22,673	-
All other general administration	10,087,888	71,140	3,070,921	-
Plant services	27,865,701	288,893	914,803	-
Ancillary services	(4,390)	-	-	-
Community services	27,830	-	7,123	-
Principal on long-term obligations	(430,000)	-	-	-
Interest on long-term obligations	3,619,815	-	-	-
Other outgo	986,917	2,997	1,192,155	-
Total Governmental Activities	247,137,615	363,030	57,420,038	243,584
Business-Type Activities				
Food services	13,217,765	1,646,393	13,527,942	-
Total Business-Type Activities	13,217,765	1,646,393	13,527,942	-
Total School District	\$ 260,355,380	\$ 2,009,423	\$ 70,947,980	\$ 243,584

General revenues and subventions
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Interagency revenues
 Miscellaneous

Subtotal, General Revenues

Changes in Net Assets

Net Assets - Beginning
 Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$(118,417,476)	\$ -	\$(118,417,476)
(3,189,877)	-	(3,189,877)
(2,815,650)	-	(2,815,650)
(14,547,598)	-	(14,547,598)
(2,119,322)	-	(2,119,322)
(39,467)	-	(39,467)
(7,665,000)	-	(7,665,000)
(3,710,844)	-	(3,710,844)
(6,945,827)	-	(6,945,827)
(26,662,005)	-	(26,662,005)
4,390	-	4,390
(20,707)	-	(20,707)
430,000	-	430,000
(3,619,815)	-	(3,619,815)
208,235	-	208,235
<u>(189,110,963)</u>	<u>-</u>	<u>(189,110,963)</u>
-	1,956,570	1,956,570
-	1,956,570	1,956,570
<u>(189,110,963)</u>	<u>1,956,570</u>	<u>(187,154,393)</u>
10,640,052	-	10,640,052
3,942,979	-	3,942,979
146,752	-	146,752
138,489,205	-	138,489,205
523,510	50,129	573,639
1,317,354	-	1,317,354
6,429,522	-	6,429,522
<u>161,489,374</u>	<u>50,129</u>	<u>161,539,503</u>
(27,621,589)	2,006,699	(25,614,890)
<u>333,135,276</u>	<u>17,968,461</u>	<u>351,103,737</u>
<u>\$ 305,513,687</u>	<u>\$ 19,975,160</u>	<u>\$ 325,488,847</u>

RIALTO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 14,794,206	\$ 6,630,247	\$ 12,156,435	\$ 33,580,888
Receivables	38,855,139	23,881	294,378	39,173,398
Due from other funds	594,148	-	129	594,277
Prepaid expenditures	2,174,012	-	-	2,174,012
Stores inventories	79,457	-	-	79,457
Total Assets	\$ 56,496,962	\$ 6,654,128	\$ 12,450,942	\$ 75,602,032
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 11,933,837	\$ 1,631,016	\$ 364,505	\$ 13,929,358
Due to other funds	6,853	85	111,498	118,436
Deferred revenue	1,151,320	-	-	1,151,320
Total Liabilities	13,092,010	1,631,101	476,003	15,199,114
FUND BALANCES				
Reserved:				
Revolving cash	50,000	-	-	50,000
Stores inventories	79,457	-	-	79,457
Prepaid expenditures	2,174,012	-	-	2,174,012
Legally restricted balances	16,803,319	-	-	16,803,319
Unreserved:				
Designated	6,640,222	-	-	6,640,222
Undesignated, reported in:				
General Fund	17,657,942	-	-	17,657,942
Special revenue funds	-	-	3,442,600	3,442,600
Debt service funds	-	-	4,969,937	4,969,937
Capital projects funds	-	5,023,027	3,562,402	8,585,429
Total Fund Balances	43,404,952	5,023,027	11,974,939	60,402,918
Total Liabilities and Fund Balances	\$ 56,496,962	\$ 6,654,128	\$ 12,450,942	\$ 75,602,032

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balance - Governmental Funds	\$ 60,402,918
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 453,558,308
Accumulated depreciation is	<u>(118,621,174)</u>
	334,937,134
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.	1,408,492
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(1,077,935)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	355,540
Long-term obligations, including General Obligation Bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term obligations at year-end consist of:	
1999 General Obligation Bonds	(50,446,744)
2006 Certificates of Participation	(4,470,000)
1997 Refunding Certificates of Participation	(9,910,000)
Premium on debt issuances	(512,750)
Discount on debt issuances	15,047
Child Care Facilities Revolving Fund	(483,406)
City of Rialto Redevelopment Agency Loan	(5,878,866)
Supplemental early retirement plan	(9,860,673)
Estimated insurance claims	(383,164)
Accumulated vacation (net)	(632,782)
Other postemployment benefits (OPEB)	<u>(7,949,124)</u>
Total Long-Term Obligations	<u>(90,512,462)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 305,513,687</u></u>

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

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 127,809,994	\$ -	\$ -	\$ 127,809,994
Federal sources	23,998,844	-	1,781	24,000,625
Other State sources	42,435,262	-	3,830,202	46,265,464
Other local sources	15,290,083	243,584	5,897,300	21,430,967
Total Revenues	<u>209,534,183</u>	<u>243,584</u>	<u>9,729,283</u>	<u>219,507,050</u>
EXPENDITURES				
Current				
Instruction	129,431,978	-	2,315,686	131,747,664
Instruction-related activities:				
Supervision of instruction	14,605,649	-	240,352	14,846,001
Instructional library, media, and technology	2,922,905	-	-	2,922,905
School site administration	16,459,437	-	598,957	17,058,394
Pupil services:				
Home-to-school transportation	3,870,437	-	-	3,870,437
Food services	39,467	-	-	39,467
All other pupil services	11,467,155	-	46,256	11,513,411
General administration:				
Data processing	3,731,675	-	-	3,731,675
All other general administration	9,333,715	-	164,949	9,498,664
Plant services	25,395,947	-	1,304,167	26,700,114
Facility acquisition and construction	224,551	16,924,876	595,642	17,745,069
Community services	27,421	-	-	27,421
Other outgo	986,917	-	-	986,917
Debt service				
Principal	-	-	3,360,966	3,360,966
Interest and other	-	-	2,860,729	2,860,729
Total Expenditures	<u>218,497,254</u>	<u>16,924,876</u>	<u>11,487,704</u>	<u>246,909,834</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(8,963,071)</u>	<u>(16,681,292)</u>	<u>(1,758,421)</u>	<u>(27,402,784)</u>
Other Financing Sources (Uses)				
Transfers in	440,243	7,700	1,467,639	1,915,582
Transfers out	(1,467,639)	-	(7,700)	(1,475,339)
Net Financing Sources (Uses)	<u>(1,027,396)</u>	<u>7,700</u>	<u>1,459,939</u>	<u>440,243</u>
NET CHANGE IN FUND BALANCES	<u>(9,990,467)</u>	<u>(16,673,592)</u>	<u>(298,482)</u>	<u>(26,962,541)</u>
Fund Balance - Beginning	<u>53,395,419</u>	<u>21,696,619</u>	<u>12,273,421</u>	<u>87,365,459</u>
Fund Balance - Ending	<u>\$ 43,404,952</u>	<u>\$ 5,023,027</u>	<u>\$ 11,974,939</u>	<u>\$ 60,402,918</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds **\$ (26,962,541)**

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

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

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

Capital outlays	\$ 18,028,566	
Depreciation expense	<u>(10,568,475)</u>	7,460,091

An internal service fund is used by the District's management to charge the costs of the deductible portion of property and liability claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities. (431,267)

In the Statement of Activities, certain operating expenses - insurance claims are measured by the amounts incurred during the year based upon actuarial assumptions. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The claims liability paid was less than the amounts incurred. (14,054)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (2,630,649)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$65,624. This year, special termination benefits increased because \$8,140,673 in new benefits were issued and \$430,000 was paid towards benefits. (7,645,049)

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

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)
JUNE 30, 2010**

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

1999 General Obligation Bonds	\$ 2,615,000
2006 Certificates of Participation	120,000
1997 Refunding Certificates of Participation	350,000
Child Care Facilities Revolving Fund	197,014
City of Rialto Redevelopment Agency Loan	78,952

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

29,198

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

(67,683)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation increased by \$1,077,935 and second, \$754,241 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(720,601)

Change in Net Assets of Governmental Activities

\$ (27,621,589)

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Business-Type Activities Enterprise Fund Nutrition Services	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 8,024,104	\$ 354,506
Receivables	1,955,509	1,035
Due from other funds	13,694	-
Stores inventories	372,843	-
Total Current Assets	10,366,150	355,541
Noncurrent Assets		
Capital assets	13,891,001	-
Less: accumulated depreciation	(3,778,051)	-
Total Noncurrent Assets	10,112,950	-
Total Assets	20,479,100	355,541
LIABILITIES		
Current Liabilities		
Accounts payable	14,405	-
Due to other funds	489,535	-
Total Current Liabilities	503,940	-
NET ASSETS		
Invested in capital assets	10,112,950	-
Unrestricted	9,862,210	355,541
Total Net Assets	\$ 19,975,160	\$ 355,541

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities Enterprise Fund Nutrition Services	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Food service sales	\$ 1,646,393	\$ -
Total Operating Revenues	1,646,393	-
OPERATING EXPENSES		
Payroll costs	4,550,077	-
Professional and contract services	200,896	-
Supplies and materials	7,026,076	-
Other operating cost	879,170	-
Depreciation expense	561,546	-
Total Operating Expenses	13,217,765	-
Operating Loss	(11,571,372)	-
NONOPERATING REVENUES		
Interest income	50,129	8,976
Federal grants	12,537,687	-
Transfers out	-	(440,243)
Other grants	990,255	-
Total Nonoperating Revenues	13,578,071	(431,267)
Income (Loss) Before Capital Contributions	2,006,699	(431,267)
Capital Contributions	-	-
Change in Net Assets	2,006,699	(431,267)
Total Net Assets - Beginning	17,968,461	786,808
Total Net Assets - Ending	\$ 19,975,160	\$ 355,541

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Nutrition Services	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,383,225	\$ 2,647
Cash payments to other suppliers of goods or services	(6,344,598)	-
Cash payments to employees for services	(4,675,396)	-
Other operating cash payments	(879,170)	-
Net Cash Provided (Used) by Operating Activities	<u>(10,515,939)</u>	<u>2,647</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	12,715,111	-
Transfer to other fund	-	(440,243)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>12,715,111</u>	<u>(440,243)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(90,384)	-
Net Cash Used by Capital and Related Financing Activities	<u>(90,384)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	50,129	8,976
Net Cash Provided by Investing Activities	<u>50,129</u>	<u>8,976</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,158,917</u>	<u>(428,620)</u>
Cash and Cash Equivalents - Beginning	<u>5,865,187</u>	<u>783,126</u>
Cash and Cash Equivalents - Ending	<u>\$ 8,024,104</u>	<u>\$ 354,506</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities Enterprise Funds Nutrition Services	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (11,571,372)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	561,546	-
Commodities	812,831	-
Changes in assets and liabilities:		
Receivables	(337,833)	2,647
Due from other funds	74,665	-
Stores inventories	56,424	-
Accounts payable	13,119	-
Due to other funds	(125,319)	-
NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES	\$ (10,515,939)	\$ 2,647

**NONCASH, NONCAPITAL
FINANCING ACTIVITIES**

During the year, the District received \$812,831 of food commodities from the U.S. Department of Agriculture.

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

RIALTO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 804,999
Receivables	1,413
Prepaid expenses	7,863
Stores inventories	102
Total Assets	<u><u>\$ 814,377</u></u>
LIABILITIES	
Accounts payable	\$ 72,577
Due to student groups	741,800
Total Liabilities	<u><u>\$ 814,377</u></u>

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

Basis of Presentation - Fund Accounting

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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.

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

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

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

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

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Deferred Issuance Costs, Premiums, and Discounts

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

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

Fund Balance Reserves and Designations

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$32,562,792 of restricted net assets subject to enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 33,935,393
Business-type activities	8,024,104
Fiduciary funds	804,999
Total Deposits and Investments	<u>\$ 42,764,496</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$ 8,822,013
Cash in revolving	57,090
Cash with fiscal agent/trustee	453,367
Investments	33,432,026
Total Deposits and Investments	<u>\$ 42,764,496</u>

Policies and Practices

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the San Bernardino County Investment Pool. The pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the San Bernardino County Investment Pool with a fair value of approximately \$33,663,790. The average weighted maturity for this pool is 334 days. In addition, the District maintains an investment of \$24,612 with First American Treasury Obligations Money Market Mutual Funds. Fair value for this investment approximates the stated value of \$24,612, and this investment has an average weighted maturity of 38 days.

Credit Risk

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$8,033,050 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, 2010, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Nutrition Service Enterprise Fund	Fiduciary Fund
Federal Government							
Categorical aid	\$ 5,041,633	\$ -	\$ 1,781	\$ -	\$ 5,043,414	\$ 1,841,870	\$ -
State Government							
Apportionment	26,689,199	-	-	-	26,689,199	-	-
Categorical aid	2,705,089	-	162,712	-	2,867,801	99,899	-
Lottery	1,614,857	-	-	-	1,614,857	-	-
Local Government							
Due from ROP	368,354	-	-	-	368,354	-	-
Due from SELPA	2,083,482	-	-	-	2,083,482	-	-
Interest	78,594	23,881	44,087	1,035	147,597	-	-
Other Local Sources	273,931	-	85,798	-	359,729	13,740	1,413
Total	<u>\$ 38,855,139</u>	<u>\$ 23,881</u>	<u>\$ 294,378</u>	<u>\$ 1,035</u>	<u>\$ 39,174,433</u>	<u>\$ 1,955,509</u>	<u>\$ 1,413</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 39,746,151	\$ -	\$ -	\$ 39,746,151
Construction in process	48,393,425	18,044,575	42,633,695	23,804,305
Total Capital Assets				
Not Being Depreciated	<u>88,139,576</u>	<u>18,044,575</u>	<u>42,633,695</u>	<u>63,550,456</u>
Capital Assets Being Depreciated				
Land improvements	13,683,126	704,648	-	14,387,774
Buildings and improvements	277,295,321	40,082,630	-	317,377,951
Furniture and equipment	56,411,719	1,830,408	-	58,242,127
Total Capital Assets				
Being Depreciated	<u>347,390,166</u>	<u>42,617,686</u>	<u>-</u>	<u>390,007,852</u>
Less Accumulated Depreciation				
Land improvements	7,669,946	513,454	-	8,183,400
Buildings and improvements	62,946,098	7,418,288	-	70,364,386
Furniture and equipment	37,436,655	2,636,733	-	40,073,388
Total Accumulated Depreciation	<u>108,052,699</u>	<u>10,568,475</u>	<u>-</u>	<u>118,621,174</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 327,477,043</u>	<u>\$ 50,093,786</u>	<u>\$ 42,633,695</u>	<u>\$ 334,937,134</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 12,092,992	\$ 22,884	\$ -	\$ 12,115,876
Furniture and equipment	1,707,625	67,500	-	1,775,125
Total Capital Assets				
Being Depreciated	<u>13,800,617</u>	<u>90,384</u>	<u>-</u>	<u>13,891,001</u>
Less Accumulated Depreciation				
Buildings and improvements	2,016,041	471,492	-	2,487,533
Furniture and equipment	1,200,464	90,054	-	1,290,518
Total Accumulated Depreciation	<u>3,216,505</u>	<u>561,546</u>	<u>-</u>	<u>3,778,051</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 8,031,617</u>	<u>\$ (471,162)</u>	<u>\$ -</u>	<u>\$ 10,112,950</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Governmental Activities

Instruction	\$ 8,560,465
All other pupil services	422,739
All other general administration	528,424
Plant services	<u>1,056,847</u>
Total Depreciation Expenses Governmental Activities	<u>10,568,475</u>

Business-Type Activities

Nutrition services	<u>561,546</u>
Total Depreciation Expenses All Activities	<u><u>\$ 11,130,021</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, between major and non-major governmental funds, and major enterprise funds are as follows:

Due To	Due From				Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Nutrition Service Enterprise Fund	
General Fund	\$ -	\$ 85	\$ 104,528	\$ 489,535	\$ 594,148
Non-Major Governmental Funds	129	-	-	-	129
Food Service Enterprise Fund	6,724	-	6,970	-	13,694
Total	\$ 6,853	\$ 85	\$ 111,498	\$ 489,535	\$ 607,971

The balance of \$85 due to the General Fund from the County School Facilities Fund resulted from project costs to be reimbursed.

A balance of \$84,511 due to the General Fund from the Child Development Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

A balance of \$20,017 due to the General Fund from the Adult Education Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

The balance of \$489,535 due to the General Fund from the Nutrition Service Enterprise Fund resulted from salaries and benefits to be reimbursed.

A balance of \$129 due to the Adult Education Non-Major Governmental Fund from the General Fund is for the reimbursement of program costs.

The balance of \$6,724 due to the Nutrition Service Enterprise Fund from the General Fund resulted from catering services to be reimbursed.

The balance of \$6,970 due to the Nutrition Service Enterprise Fund from the Child Development Non Major Governmental Fund resulted from catering services to be reimbursed.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Operating Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 440,243	\$ 440,243
County School Facilities Fund	-	7,700	-	7,700
Non-Major Governmental Funds	1,467,639	-	-	1,467,639
Total	\$ 1,467,639	\$ 7,700	\$ 440,243	\$ 1,915,582

The General Fund transferred to the following Non-Major Governmental Funds:

Adult Education Fund for revenue received in the General Fund unrestricted funds.

\$ 344,089

COP Debt Service Fund for debt service payment.

1,123,550

\$ 1,467,639

The County School Facilities Fund transferred to the Special Reserve Fund for Capital Outlay Non-Major Governmental Fund for E-Rate projects.

7,700

The Internal Service Fund transferred to the General Fund for excess self-insurance reserves.

440,243

Total

\$ 1,915,582

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Nutrition Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ 6,643,069	\$ -	\$ 138,813	\$ 6,781,882	\$ -	\$ -
State apportionment	2,062,597	-	-	2,062,597	-	-
Books and supplies	478,028	-	11,013	489,041	-	-
Services	2,240,538	2,327	101,096	2,343,961	-	-
Construction	97,397	1,625,363	65,188	1,787,948	-	-
All other payables	412,208	3,326	48,395	463,929	14,405	72,577
Total	<u>\$ 11,933,837</u>	<u>\$ 1,631,016</u>	<u>\$ 364,505</u>	<u>\$ 13,929,358</u>	<u>\$ 14,405</u>	<u>\$ 72,577</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2010, consists of the following:

Federal financial assistance	<u>General Fund</u> <u>\$ 1,151,320</u>
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RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
1999 General Obligation Bonds, Series A	\$ 16,477,503	\$ 754,241	\$ 1,390,000	\$ 15,841,744	\$1,470,000
1999 General Obligation Bonds, Series B	17,530,000	-	620,000	16,910,000	640,000
Premium on Issuance	261,932	-	15,371	246,561	-
1999 General Obligation Bonds, Series C	18,300,000	-	605,000	17,695,000	625,000
Premium on Issuance	266,917	-	14,048	252,869	-
2006 Certificates of Participation	4,590,000	-	120,000	4,470,000	125,000
Discount on Issuance	(15,764)	-	(717)	(15,047)	-
1997 Refunding Certificates of Participation	10,260,000	-	350,000	9,910,000	360,000
Premium on Issuance	800	-	42	758	-
Child Care Facilities Revolving Fund	680,420	-	197,014	483,406	197,014
City of Rialto Redevelopment Agency Loan	5,957,818	-	78,952	5,878,866	78,952
Premium on Issuance	13,016	-	454	12,562	-
Supplemental Early Retirement Plan (SERP)	2,150,000	8,140,673	430,000	9,860,673	2,058,135
Estimated insurance claims	369,110	14,054	-	383,164	-
Accumulated vacation - net	698,406	-	65,624	632,782	-
Other postemployment benefits	5,318,475	2,630,649	-	7,949,124	-
	<u>\$ 82,858,633</u>	<u>\$ 11,539,617</u>	<u>\$ 3,885,788</u>	<u>\$ 90,512,462</u>	<u>\$ 5,554,101</u>

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted	Redeemed	Bonds Outstanding End of Year
6/1/2000	2025	4.75-6.25%	\$ 19,995,038	\$ 16,477,503	\$ 754,241	\$ 1,390,000	\$ 15,841,744
1/24/2003	2027	4.00-6.00%	20,000,000	17,530,000	-	620,000	16,910,000
5/5/2004	2028	3.00-5.125%	20,000,000	18,300,000	-	605,000	17,695,000
				<u>\$ 52,307,503</u>	<u>\$ 754,241</u>	<u>\$ 2,615,000</u>	<u>\$ 50,446,744</u>

1999 General Obligation Refunding Bonds, Series A

On June 1, 2000, the District issued current and capital appreciation, 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038 (accreting to \$38,730,000) in order to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2025, with interest rates varying from 4.75 to 6.25 percent. At June 30, 2010, 1999 General Obligation Refunding Bonds, Series A, totaling \$15,841,744 were still outstanding.

1999 General Obligation Bonds, Series B

On January 24, 2003, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series B. The Bonds were issued at an aggregate price of \$20,000,000 (representing the principal amount of \$20,000,000 plus original issue premium of \$368,915 less underwriter's discount of \$241,515, and additional issuance related costs of \$127,400). The bonds have a maturity date of August 1, 2027, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the sale of the bonds were used to finance the cost of acquisition or improvement of real property, including the construction and equipping of certain school facilities and improvements within and for the District. Unamortized premium on issuance was \$246,561 as of June 30, 2010. Deferred costs on issuance, including underwriter's discount and other issuance related costs outstanding, were \$246,561 as of June 30, 2010. At June 30, 2010, 1999 General Obligation Bonds, Series B totaling \$16,910,000 were still outstanding.

1999 General Obligation Bond, Series C

On May 5, 2004, the District issued \$20,000,000 of 1999 General Obligation Bonds, Series C. The bonds were issued at an aggregate price of \$20,037,557 (representing the principal amount of \$20,000,000 plus original issue premium of \$337,157 less underwriter's discount of \$96,600 and additional issuance related costs of \$203,000). The bonds have a maturity date of August 1, 2028, with interest rates varying from 3.00 to 5.125 percent. Proceeds from the sale of the bonds will be used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized premium on issuance as of June 30, 2010, was \$252,869. Deferred costs on issuance, including underwriter's discount and other issuance related costs totaling \$224,702, were outstanding as of June 30, 2010. As of June 30, 2010, 1999 General Obligation Bonds, Series C totaling \$17,695,000 were still outstanding.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

The 1999 General Obligation Bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2011	\$ 2,735,000	\$ -	\$ 1,770,153	\$ 4,505,153
2012	2,875,000	-	1,626,828	4,501,828
2013	2,746,305	274,824	1,474,715	4,495,844
2014	2,719,929	355,855	1,413,468	4,489,252
2015	2,704,365	432,475	1,352,470	4,489,310
2016-2020	13,541,503	3,170,204	5,732,788	22,444,495
2021-2025	14,244,642	4,553,825	3,511,150	22,309,617
2026-2029	8,880,000	-	805,956	9,685,956
Total	<u>\$ 50,446,744</u>	<u>\$ 8,787,183</u>	<u>\$ 17,687,528</u>	<u>\$ 76,921,455</u>

2006 Certificates of Participation

In June 2006, the District issued the 2006 Certificates of Participation in the amount of \$4,770,000. The Certificates were issued at an aggregate price of \$4,500,000 (representing the principal amount of \$4,770,000 less discount on issuance of \$17,915 and less issuance costs of \$252,085). The Certificates have a maturity date of September 1, 2031, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, will be used to finance the cost of acquisition and improvement of certain school facilities and land. Unamortized discount on issuance was \$15,057 as of June 30, 2010. Deferred costs on issuance totaling \$211,753 were outstanding as of June 30, 2010. At June 30, 2010, 2006 Certificates of Participation totaling \$4,470,000 were still outstanding.

The Certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 125,000	\$ 191,900	\$ 316,900
2012	135,000	184,100	319,100
2013	140,000	177,512	317,512
2014	145,000	172,256	317,256
2015	150,000	166,725	316,725
2016-2020	850,000	738,119	1,588,119
2021-2025	1,040,000	543,416	1,583,416
2026-2030	1,285,000	289,916	1,574,916
2031-2032	600,000	27,981	627,981
Total	<u>\$ 4,470,000</u>	<u>\$ 2,491,925</u>	<u>\$ 6,961,925</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1997 Refunding Certificates of Participation

In September 1997, the District issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. Unamortized premium on issuance was \$758 as of June 30, 2010. Deferred costs on issuance totaling \$138,972 were outstanding as of June 30, 2010. As of June 30, 2010, 1997 Refunding Certificates of Participation totaling \$9,910,000 were still outstanding.

The Certificates mature through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 360,000	\$ 442,054	\$ 802,054
2012	380,000	429,046	809,046
2013	395,000	414,753	809,753
2014	420,000	398,946	818,946
2015	440,000	381,526	821,526
2016-2020	2,505,000	1,601,557	4,106,557
2021-2025	3,145,000	959,900	4,104,900
2026-2028	2,265,000	173,375	2,438,375
Total	<u>\$ 9,910,000</u>	<u>\$ 4,801,157</u>	<u>\$ 14,711,157</u>

Child Care Facilities Revolving Fund

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program bringing a total to date of fourteen agreements entered into. This program provides up to \$150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2010, the outstanding balance was \$483,406.

Year Ending June 30,	Total Payments
2011	\$ 197,014
2012	143,392
2013	39,000
2014	26,000
2015	26,000
2016-2017	52,000
Total	<u>\$ 483,406</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

City of Rialto Redevelopment Agency Loan

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

During 2008, the District borrowed an additional \$3,390,000 to complete the project. Proceeds from the loan were issued at an aggregate price of \$3,000,000 (representing the principal amount of \$3,390,000 plus a pro-rata share of the original issue premium determined to be \$13,621, less the pro-rata share of costs of issuance determined to be \$403,621). As of June 30, 2010, the outstanding balance was \$5,878,866. Unamortized premium and costs of issuance at June 30, 2010, were \$12,562 and \$586,504, respectively.

The debt service schedule for the loan is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 78,952	\$ 300,947	\$ 379,899
2012	84,656	298,028	382,684
2013	86,065	294,864	380,929
2014	86,770	291,570	378,340
2015	92,474	288,150	380,624
2016-2020	527,165	1,377,727	1,904,892
2021-2025	660,979	1,240,530	1,901,509
2026-2030	1,067,406	1,048,806	2,116,212
2031-2035	2,256,547	641,284	2,897,831
2036-37	937,852	96,018	1,033,870
Total	<u>\$ 5,878,866</u>	<u>\$ 5,877,924</u>	<u>\$ 11,756,790</u>

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Supplementary Early Retirement Plan (SERP)

The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 43 employees who retired during the 2008-2009 school year and 143 employees who retired during the 2009-2010 school year, were purchased from United of Pacific Life Insurance Company. As of June 30, 2010, the balance remaining was \$9,860,673. Future payments are as follows:

Year Ending June 30,	Total Payments
2011	\$ 2,058,135
2012	2,058,135
2013	2,058,135
2014	2,058,135
2015	1,628,133
Total	<u>\$ 9,860,673</u>

Estimated Insurance Claims

Liabilities for claims for all dental and vision cases are established based on estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balance as of June 30, 2010, of \$383,164 were estimated and are reflected as an expenditure in the year payable from available resources. These claims are paid by the District's General Fund.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$632,782.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2010, was \$3,750,220 and contributions made by the District during the year were \$1,039,520. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$265,923 and \$345,974, respectively, which when combined with the beginning balance of \$5,318,475, resulted in a net OPEB obligation of \$7,949,124. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 - FUND BALANCES

Fund balance with reservations/designations is composed of the following elements:

	<u>General Fund</u>
Reserved	
Revolving cash	\$ 50,000
Stores inventories	79,457
Prepaid expenditures	2,174,012
Restricted programs	16,803,319
Total Reserved	<u>19,106,788</u>
Unreserved	
Designated	
Economic uncertainties	6,640,222
Total Designated	<u>6,640,222</u>
Undesignated	17,657,942
Total Unreserved	<u>24,298,164</u>
Total	<u>\$ 43,404,952</u>

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

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Rialto Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 164 retirees currently receiving benefits, 80 terminated plan members entitled to but not yet receiving benefits, and 2,168 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-10, the District contributed \$1,039,520 to the Plan, all of which was used for current premiums (approximately 85 percent of total premiums). Retirees contributed \$190,555, or approximately 15 percent, of the total premiums.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 3,750,220
Interest on net OPEB obligation	265,923
Adjustment to annual required contribution	<u>(345,974)</u>
Annual OPEB cost (expense)	3,670,169
Contributions made	<u>(1,039,520)</u>
Increase in net OPEB obligation	2,630,649
Net OPEB obligation, beginning of year	<u>5,318,475</u>
Net OPEB obligation, end of year	<u><u>\$ 7,949,124</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 3,714,051	\$ 1,072,475	29%	\$ 2,641,576
2009	3,710,461	1,033,562	28%	5,318,475
2010	3,670,169	1,039,520	28%	7,949,124

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2009	\$ -	\$ 18,601,302	\$ 18,601,302	0%	\$ 141,520,947	13%

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the February 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used was five percent up to an increase of seven percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2010, was 27 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

Description

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

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Dental and Vision
Liability Balance, July 1, 2008	\$ 300,000
Claims and changes in estimates	3,103,925
Claims payments	<u>(3,034,815)</u>
Liability Balance, June 30, 2009	369,110
Claims and changes in estimates	3,053,375
Claims payments	<u>(3,039,321)</u>
Liability Balance, June 30, 2010	<u>\$ 383,164</u>
Assets available to pay claims at June 30, 2010	<u>\$ 355,541</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-09 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$8,778,602, \$9,026,620, and \$9,280,653, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-09 was 9.709 percent of covered payroll. The contribution requirements of the plan members are established by State statute. In accordance with bargaining unit agreements, the District is required to make contributions on behalf of the employee at a rate of 7.0 percent of annual payroll. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$3,410,849, \$3,236,495, and \$3,295,530, respectively, and equal 100 percent of the required contributions for each year.

Alternative Retirement Plan

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

During the year, the District's required and actual contributions amounted to \$234,444, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions matched that of the employer's.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,540,412 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

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, 2010.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Middle School Classroom Addition #6	\$ 1,484,769	02/01/11
Elementary #19	478,528	10/01/10
	<u>\$ 1,963,297</u>	

Operating Leases

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

The following is a schedule, by years, of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year as of June 30, 2010:

<u>Year Ending June 30, 2011</u>	<u>Lease Payment</u>
	<u>\$ 406,650</u>

Total expenditures charged for leases during 2010 were \$975,960.

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

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

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

During the year ended June 30, 2010, the District made payments of \$72,277, \$2,999,922, and \$728,498 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), 25 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative)
				Final
				to Actual
REVENUES				
Revenue limit sources	\$ 136,592,756	\$ 129,315,981	\$ 127,809,994	\$ (1,505,987)
Federal sources	23,515,249	31,951,908	23,998,844	(7,953,064)
Other State sources	34,115,648	39,290,994	42,435,262	3,144,268
Other local sources	14,346,824	13,910,098	15,290,083	1,379,985
Total Revenues¹	208,570,477	214,468,981	209,534,183	(4,934,798)
EXPENDITURES				
Current				
Certificated salaries	104,897,751	107,687,520	107,664,676	22,844
Classified salaries	35,320,110	36,156,986	34,733,543	1,423,443
Employee benefits	42,394,466	43,206,614	47,710,164	(4,503,550)
Books and supplies	9,953,408	15,254,974	7,194,423	8,060,551
Services and operating expenditures	28,927,523	38,093,695	20,530,948	17,562,747
Other outgo	386,671	2,352,275	663,500	1,688,775
Total Expenditures¹	221,879,929	242,752,064	218,497,254	24,254,810
Excess (Deficiency) of Revenues				
Over Expenditures	(13,309,452)	(28,283,083)	(8,963,071)	19,320,012
Other Financing Sources (Uses)				
Transfers in	-	440,243	440,243	-
Transfers out	1,748,391	(1,645,710)	(1,467,639)	178,071
Net Financing Sources (Uses)	1,748,391	(1,205,467)	(1,027,396)	178,071
NET CHANGE IN FUND BALANCES	(11,561,061)	(29,488,550)	(9,990,467)	19,498,083
Fund Balance - Beginning	53,395,419	53,395,419	53,395,419	-
Fund Balance - Ending	\$ 41,834,358	\$ 23,906,869	\$ 43,404,952	\$ 19,498,083

¹ On behalf payments of \$4,540,412 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
February 1, 2007	\$ -	\$ 27,219,215	\$27,219,215	0%	\$ 147,906,482	18%
February 1, 2009	-	18,601,302	18,601,302	0%	141,520,947	13%

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
No Child Left Behind Act (NCLB)			
Title I Grants to Local Educational Agencies Cluster			
Title I - Part A, Basic Grants	84.010	14329	\$ 8,191,530
ARRA: Title I - Part A, Basic Grants	84.389	15005	1,939,588
Title I - Part A, SAIT- Corrective Action Plan	84.010A	14956	485,148
Subtotal - Title I Grants to Local Educational Agencies Cluster			<u>10,616,266</u>
Title II - Part A, Improving Teacher Quality	84.367	14341	1,286,732
Title II - Part D, Enhancing Education Through Technology Formula Grant	84.318	14334	136,966
Title II - Part D, Enhancing Education Through Technology Competitive Grant	84.318	14368	375,499
Title III - Immigrant Education	84.365	14346	62,060
Title III - Limited English Proficiency	84.365	10084	903,036
Individuals with Disabilities Education Act (IDEA)			
Passed through from East Valley SELPA:			
Special Education (IDEA) Cluster			
Local Assistance	84.027	13379	3,529,363
ARRA: Local Assistance	84.391	15003	2,701,086
Preschool Entitlement	84.173	13430	54,926
ARRA: Preschool Entitlement	84.392	15000	45,816
Preschool Local	84.027A	13682	101,319
ARRA: Preschool Local	84.391	15002	115,562
Preschool Staff Development	84.173A	13431	300
Subtotal - Special Education (IDEA) Cluster			<u>6,548,372</u>
No Child Left Behind Act (NCLB)			
Title I - Part B, Reading First	84.357	14328	256,252
Title I - Part B, Reading First, Special Education Teacher Professional Development	84.357	14911	295,330
Title I - Part G, Advanced Placement Test Fee	84.330	14831	35,511
Title IV - Safe and Drug-Free Schools	84.186	14347	100,827
Title V - Part A, Innovative Strategies	84.298A	14354	41,390
ARRA Title X McKinney-Vento Homeless Assistance	84.387	15007	10,000
California Gear-Up Program	84.334A	10088	83,887
Career and Technical Education- Secondary Education	84.048	14894	187,570
Career and Technical Education- Post Secondary and Adult Education	84.048	14893	12,500
ARRA: State Fiscal Stabilization Fund	84.394	25008	6,736,578
Total for U.S. Department of Education			<u>27,688,776</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Development Instructional Materials Grant	93.575	14130	\$ 1,781
Medi-Cal Assistance Cluster			
Medi-Cal Billing	93.778	10013	183,095
Passed through San Bernardino County Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	717,266
Subtotal - Medicaid Assistance Cluster			<u>900,361</u>
Total for U.S. Department of Health and Human Services			<u>902,142</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13525	81,563
Especially Needy Breakfast Program	10.553	13526	2,178,674
Meal Supplements - Snacks	10.556	13392	178,835
National School Lunch Program	10.555	13396	9,285,785
Commodities	10.555	[1]	812,831
Subtotal - Child Nutrition Cluster			<u>12,537,688</u>
Forest Reserve	10.665	10044	64,720
Total for U.S. Department of Agriculture			<u>12,602,408</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Army	12.000	JROTC 05055 79 AR RMRIV	64,381
Junior Reserve Officer Training Corps - Marine	12.000	JROTC05629 86 AF	53,533
Junior Reserve Officer Training Corps - Navy	12.000	JROTC081S	68,088
Total for U.S. Department of Defense			<u>186,002</u>
Total Federal Programs			<u>\$ 41,379,328</u>

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Joseph Martinez	President	2012
Mr. Michael G. Ridgway	Vice President	2012
Mr. Joseph Ayala	Clerk	2012
Mrs. Joanne T. Gilbert	Member	2010
Dr. John R. Kazalunas	Member	2010

ADMINISTRATION

Dr. Harold L. Cebrun, Sr.	Superintendent
Dr. Phil Urabe	Interim Assistant Superintendent, Business Services
Ms. Jasmine Valenzuela	Assistant Superintendent, Educational Services
Mr. Felix Avila	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,763	1,785
First through third	5,747	5,731
Fourth through sixth	5,884	5,873
Seventh and eighth	3,947	3,933
Home and hospital	5	5
Community day school	1	1
Special education	395	397
Total Elementary	<u>17,742</u>	<u>17,725</u>
SECONDARY		
Regular classes	7,275	7,199
Continuation education	264	259
Home and hospital	5	5
Community day school	6	6
Special education	338	331
Total Secondary	<u>7,888</u>	<u>7,800</u>
Total K-12	<u><u>25,630</u></u>	<u><u>25,525</u></u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2009-10	Number of Days	
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Status
Kindergarten	31,680	30,800	36,000	35,000	36,105	180	Complied
Grades 1 - 3	47,520	46,200	50,400	49,000			
Grade 1					50,945	180	Complied
Grade 2					50,945	180	Complied
Grade 3					50,945	180	Complied
Grades 4 - 6	47,520	46,200	54,000	52,500			
Grade 4					54,355	180	Complied
Grade 5					54,355	180	Complied
Grade 6					61,920	180	Complied
Grades 7 - 8	61,600	59,889	54,000	52,500			
Grade 7					61,920	180	Complied
Grade 8					61,920	180	Complied
Grades 9 - 12	59,840	58,178	64,800	63,000			
Grade 9					65,304	180	Complied
Grade 10					65,304	180	Complied
Grade 11					65,304	180	Complied
Grade 12					65,304	180	Complied

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

	(Budget) 2011 ¹	2010	2009	2008
GENERAL FUND				
Revenues	\$ 193,460,916	\$ 209,534,183	\$ 241,279,859	\$ 247,047,395
Other sources and transfers in	-	440,243	327,497	744,907
Total Revenues and Other Sources	193,460,916	209,974,426	241,607,356	247,792,302
Expenditures	213,153,815	218,497,254	226,537,344	232,560,299
Other uses and transfers out	-	1,467,639	2,598,444	2,923,094
Total Expenditures and Other Uses	213,153,815	219,964,893	229,135,788	235,483,393
INCREASE (DECREASE) IN FUND BALANCE	\$ (19,692,899)	\$ (9,990,467)	\$ 12,471,568	\$ 12,308,909
ENDING FUND BALANCE	\$ 23,712,054	\$ 43,404,952	\$ 53,395,419	\$ 40,923,851
AVAILABLE RESERVES²	\$ 17,071,832	\$ 24,298,164	\$ 36,723,079	\$ 24,349,063
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	8.0%	11.3%	16.4%	10.6%
LONG-TERM OBLIGATIONS	N/A	\$ 90,512,462	\$ 82,858,633	\$ 80,571,723
K-12 AVERAGE DAILY ATTENDANCE AT P-2⁴	25,453	25,630	25,604	26,601

The General Fund balance has increased by \$2,481,101 over the past two years. The fiscal year 2010-11 budget projects a decrease of \$19,692,898. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2010-11 fiscal year. Total long-term obligations have increased by \$7,653,821 over the past two years.

Average daily attendance has decreased by 971 over the past two years. A decrease of 177 ADA is anticipated during fiscal year 2010-11.

¹ Budget 2011 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ On-behalf payments of \$4,540,412, \$4,942,359, and \$5,082,034, have been excluded from the calculation of available reserves for fiscal years ending June 30, 2010, 2009, and 2008, respectively.

⁴ Excludes Adult Education ADA.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 165,614	\$ 1,552,864	\$ 1,903,600
Receivables	613	170,559	5,635
Due from other funds	-	129	-
Total Assets	\$ 166,227	\$ 1,723,552	\$ 1,909,235
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,017	\$ 201,173	\$ 39,726
Due to other funds	20,018	91,480	-
Total Liabilities	24,035	292,653	39,726
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	142,192	1,430,899	1,869,509
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	142,192	1,430,899	1,869,509
Total Liabilities and Fund Balances	\$ 166,227	\$ 1,723,552	\$ 1,909,235

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 685	\$ 3,364,164	\$ 199,639	\$ 4,922,076	\$ 47,793	\$ 12,156,435
2	116,891	610	-	68	294,378
-	-	-	-	-	129
<u>\$ 687</u>	<u>\$ 3,481,055</u>	<u>\$ 200,249</u>	<u>\$ 4,922,076</u>	<u>\$ 47,861</u>	<u>\$ 12,450,942</u>
\$ -	\$ 79,213	\$ 40,376	\$ -	\$ -	\$ 364,505
-	-	-	-	-	111,498
<u>-</u>	<u>79,213</u>	<u>40,376</u>	<u>-</u>	<u>-</u>	<u>476,003</u>
-	-	-	-	-	3,442,600
-	-	-	4,922,076	47,861	4,969,937
<u>687</u>	<u>3,401,842</u>	<u>159,873</u>	<u>-</u>	<u>-</u>	<u>3,562,402</u>
<u>687</u>	<u>3,401,842</u>	<u>159,873</u>	<u>4,922,076</u>	<u>47,861</u>	<u>11,974,939</u>
<u>\$ 687</u>	<u>\$ 3,481,055</u>	<u>\$ 200,249</u>	<u>\$ 4,922,076</u>	<u>\$ 47,861</u>	<u>\$ 12,450,942</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 1,781	\$ -
Other State sources	-	3,830,202	-
Other local sources	13,999	40,423	29,864
Total Revenues	<u>13,999</u>	<u>3,872,406</u>	<u>29,864</u>
EXPENDITURES			
Current			
Instruction	197,480	2,118,206	-
Instruction-related activities:			
Supervision of instruction	147,187	93,165	-
School site administration	-	598,957	-
Pupil services:			
All other pupil services	1,989	44,267	-
General administration:			
All other general administration	15,950	148,999	-
Plant services	32,309	41,124	409,526
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	197,014	-
Interest and other	-	-	-
Total Expenditures	<u>394,915</u>	<u>3,241,732</u>	<u>409,526</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(380,916)</u>	<u>630,674</u>	<u>(379,662)</u>
Other Financing Sources (Uses)			
Transfers in	344,089	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>344,089</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(36,827)</u>	<u>630,674</u>	<u>(379,662)</u>
Fund Balance - Beginning	179,019	800,225	2,249,171
Fund Balance - Ending	<u>\$ 142,192</u>	<u>\$ 1,430,899</u>	<u>\$ 1,869,509</u>

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,781
-	-	-	-	-	3,830,202
665	1,647,009	16,838	4,145,570	2,932	5,897,300
<u>665</u>	<u>1,647,009</u>	<u>16,838</u>	<u>4,145,570</u>	<u>2,932</u>	<u>9,729,283</u>
-	-	-	-	-	2,315,686
-	-	-	-	-	240,352
-	-	-	-	-	598,957
-	-	-	-	-	46,256
-	-	-	-	-	164,949
-	821,208	-	-	-	1,304,167
17,410	504,014	74,218	-	-	595,642
-	78,952	-	2,615,000	470,000	3,360,966
-	303,865	-	1,903,315	653,549	2,860,729
<u>17,410</u>	<u>1,708,039</u>	<u>74,218</u>	<u>4,518,315</u>	<u>1,123,549</u>	<u>11,487,704</u>
<u>(16,745)</u>	<u>(61,030)</u>	<u>(57,380)</u>	<u>(372,745)</u>	<u>(1,120,617)</u>	<u>(1,758,421)</u>
-	-	-	-	1,123,550	1,467,639
-	-	(7,700)	-	-	(7,700)
-	-	(7,700)	-	1,123,550	1,459,939
(16,745)	(61,030)	(65,080)	(372,745)	2,933	(298,482)
17,432	3,462,872	224,953	5,294,821	44,928	12,273,421
<u>\$ 687</u>	<u>\$ 3,401,842</u>	<u>\$ 159,873</u>	<u>\$ 4,922,076</u>	<u>\$ 47,861</u>	<u>\$ 11,974,939</u>

RIALTO UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

(Amounts in thousands, excluding Revenue Limit Per ADA)

	Actual Results for the Years					
	2009-2010		2008-2009		2007-2008	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 23,999	11.4	\$ 31,151	12.9	\$ 19,368	7.9
Revenue limit revenue	127,810	61.0	153,850	63.8	161,544	65.4
Special education revenue	12,110	5.8	9,243	3.8	11,552	4.7
Lottery revenue	3,281	1.6	3,280	1.4	3,774	1.5
Other State revenue	39,021	18.6	40,270	16.7	46,731	18.9
Interest revenue	392	0.2	1,237	0.5	1,804	0.7
Other local revenue	2,921	1.4	2,248	0.9	2,274	0.9
Total Revenues	209,534	100.0	241,279	100.0	247,047	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	107,663	51.4	110,959	46.0	113,798	46.1
Classified salaries	34,733	16.6	34,046	14.1	34,319	13.9
Employee benefits	47,714	22.8	46,416	19.2	46,858	19.0
Total Salaries and Benefits	190,110	90.8	191,421	79.3	194,975	79.0
Books and supplies	7,194	3.4	10,683	4.4	11,731	4.7
Contracts and operating expenses	20,530	9.8	23,112	9.6	24,066	9.7
Capital outlay	357	0.2	1,460	0.6	1,924	0.8
Other outgo	306	0.1	(139)	(0.1)	(136)	(0.1)
Total Expenditures	218,497	104.3	226,537	93.8	232,560	94.1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,963)	(4.3)	14,742	6.2	14,487	5.9
OTHER FINANCING USES						
Net financing uses	(1,027)	(0.5)	(2,271)	(0.9)	(2,178)	(0.9)
INCREASE (DECREASE) IN FUND BALANCE	(9,990)	(4.8)	12,471	5.3	12,309	5.0
FUND BALANCE, BEGINNING	53,395		40,924		28,615	
FUND BALANCE, ENDING	\$ 43,405		\$ 53,395		\$ 40,924	
ENDING FUND BALANCE TO TOTAL REVENUES		20.7		22.1		19.5
* * * * *						
BASE REVENUE LIMIT PER ADA						
Regular ¹	\$ 6,379		\$ 6,117		\$ 5,788	
Adult	\$ 2,645		\$ 2,645		\$ 2,645	

¹ Before deficits.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2009-2010		2008-2009		2007-2008	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	\$ 12,538	82.4	\$ 11,275	79.2	\$ 10,455	75.8
State meal program	990	6.5	867	6.1	901	6.5
Food sales	1,646	10.8	2,063	14.5	2,391	17.3
Other	51	0.3	35	0.2	52	0.4
Total Revenues	<u>15,225</u>	<u>100.0</u>	<u>14,240</u>	<u>100.0</u>	<u>13,799</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	4,550	33.1	4,710	33.1	4,792	34.7
Food	5,622	46.9	6,674	46.9	6,310	45.7
Supplies	1,404	3.7	528	3.7	567	4.1
Other	1,080	8.7	1,237	8.7	1,303	9.4
Total Expenditures	<u>12,656</u>	<u>92.4</u>	<u>13,149</u>	<u>92.4</u>	<u>12,972</u>	<u>93.9</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,569</u>	<u>7.6</u>	<u>1,091</u>	<u>7.6</u>	<u>827</u>	<u>6.1</u>
OTHER FINANCING USES						
Net financing uses	-		-		(696)	
FUND BALANCE, BEGINNING	<u>7,384</u>		<u>6,293</u>		<u>6,162</u>	
FUND BALANCE, ENDING	<u>\$ 9,953</u>		<u>\$ 7,384</u>		<u>\$ 6,293</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>65.4</u>		<u>51.9</u>		<u>45.6</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2009-2010		2008-2009		2007-2008	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	545,017	13.7	668,317	16.3	781,632	19.0
Reduced price	381,903	9.5	453,063	11.1	461,766	11.3
Free	3,064,464	76.8	2,973,780	72.6	2,855,430	69.7
Total Lunches	<u>3,991,384</u>	<u>100.0</u>	<u>4,095,160</u>	<u>100.0</u>	<u>4,098,828</u>	<u>100.0</u>
BREAKFAST						
Paid	114,137	8.0	134,040	10.0	163,826	12.4
Reduced price	100,265	7.1	118,396	8.9	128,642	9.7
Free	1,207,960	84.9	1,084,693	81.1	1,028,214	77.9
Total Breakfast	<u>1,422,362</u>	<u>100.0</u>	<u>1,337,129</u>	<u>100.0</u>	<u>1,320,682</u>	<u>100.0</u>

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1— PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA - State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance and Business-Type Activities:		\$ 36,538,312
ARRA - State Fiscal Stabilization Funds	84.394	5,147,890
Medi-Cal Billing Option	93.778	(306,874)
Total Schedule of Expenditures of Federal Awards		<u>\$ 41,379,328</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

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

Cafeteria Account Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2010, which collectively comprise Rialto Unified School District's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rialto Unified School District in a separate letter dated December 7, 2010.

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

Navinak, Irvine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010



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

Governing Board
Rialto Unified School District
Rialto, California

We have audited the compliance of Rialto Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Rialto Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

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

In our opinion, Rialto Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Vanninck, Irvine, Day + Co., LLP
Rancho Cucamonga, California
December 7, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Rialto Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Rialto Unified School District's compliance with the State laws and regulations applicable to the following items:

Table with 3 columns: Item, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Accounting, Instructional Time, Instructional Materials, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early retirement incentive, Gann limit calculation, School Accountability Report Card, and Public hearing requirement - receipt of funds.

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Community Day School because ADA is below the threshold for testing. Additionally, we only performed testing of procedure (a) for the Instructional Materials general requirements, as additional procedures were determined to not be required.

Based on our audit, we found that for the items tested, the Rialto Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Rialto Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Rialto Unified School District's compliance with the State laws and regulations referred to above.

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

Vavnick, Irina Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A, 84.391 (ARRA), 84.392 (ARRA)	<u>Special Education (IDEA) Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I Grants to Local Educational Agencies Cluster</u>
<u>84.394 (ARRA)</u>	<u>State Fiscal Stabilization Fund</u>
<u>84.367</u>	<u>Title II, Part A- Improving Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,241,380</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

RIALTO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

RIALTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2010-1 40000

After School Education and Safety Program

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition found.

Context

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

Effect

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

RIALTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Cause

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

Recommendation

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

District Response

By December 2009, the Director of ASES will ensure that the District's early release permission slips are used for all students that sign out early. The Director will implement the review and follow-up procedures to ensure that the sites operating the program are following established procedures.

2010-2 40000

After School Education and Safety Program – Attendance Reporting

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

RIALTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Effect

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

Cause

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

Recommendation

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

District Response

By December 2009, the Director of ASES will implement the review and follow-up procedures to ensure that the sites operating the program are following established procedures.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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

Financial Statement Findings

None Reported

Federal Awards Findings

2009-1 50000

Federal Program

Title: Title I – Grants to Local Educational Agencies Cluster

CFDA: 84.010

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Compliance Area: Procurement and Suspension and Debarment

Under the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement, the District is prohibited from contracting with or making sub-awards that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred. The District must verify that the entity is not suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the transaction with that entity.

Condition Found

The District is not aware of the requirements under the Procurement and Suspension and Debarment requirement. As a result, there are currently no procedures in place to ensure compliance in this area.

Questioned Cost Identified

We have performed the verification of all identified vendors using the Excluded Parties List System and did not identify any questioned costs.

Context

The condition identified was determined based on inquiry with District personnel and through review of documents and it appears that the condition is a pervasive issue.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Due to the lack of control activities to ensure compliance over the Procurement and Suspension and Debarment requirement, the District is at risk of contracting with excluded and/or debarred vendors.

Cause

Per inquiry with District personnel, it appears that the condition materialized as a result of unfamiliarity over the Procurement and Suspension and Debarment requirement as outlined in OMB Circular A-133's compliance supplement.

Recommendation

We recommend that responsible personnel at the District become familiar with Procurement and Suspension and Debarment requirements as outlined in OMB Circular A-133's compliance supplement. The District should begin identifying potential vendors that may be subject to this compliance requirement through the examination of purchase requisitions. By reviewing purchase requisitions and understanding the compliance requirements, the District can perform necessary verification procedures recommended on OMB Circular A-133's compliance requirement to ensure that the District remains compliant.

Current Status

Implemented.

2009-2 50000

Federal Program

Title: Improving Teacher Quality Cluster

CFDA: 84.367

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

Compliance Area: Special Tests and Provisions: Needs Assessment

Under the Special Tests and Provisions Needs Assessment requirement as outlined in OMB Circular A-133's compliance supplement, to be eligible to receive a sub grant of Title II, Part A, an LEA must conduct an assessment of local needs for professional development and hiring, as identified by the LEA and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and school-wide program schools.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Condition Found

The District is unaware of the requirements under the Needs Assessment requirement. As a result, the District lacks sufficient internal controls to ensure compliance in this area and the District has not performed the required needs assessment in the current fiscal year.

Questioned Cost Identified

Since the compliance requirement does not involve any program costs, the auditor was unable to associate any questioned costs with the condition identified.

Context

The condition identified was determined based on inquiry with District personnel and it appears that the condition is isolated to the current fiscal year due to transition of the District's administrator providing oversight to the program.

Effect

Due to the lack of knowledge of the requirement, the District did not perform the required needs assessment under the condition of receiving a sub grant from the State. We were unable to identify the consequences due to lack of guidance provided by the State and U.S. Department of Education. However, there is always a potential for either the State or the U.S. Department to impose penalties in the form of financial sanctions on the District.

Cause

Per inquiry with District personnel, it appears that the condition materialized as a result of the change in personnel overseeing the program.

Recommendation

We recommend that the program director become familiar with the program's needs assessment requirement and adopt a formalized procedure to properly execute the requirement at the District. We recommend that the program director draft standardized procedures that meet the compliance requirement and should consider disseminating the information to all certificated personnel in the District who are to be involved in the assessment.

Current Status

Implemented.

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

State Awards Findings

After School Education and Safety Program

2009-3 40000

Criteria or Specific Requirement

Requirement: Attendance Records and Reporting

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

Condition

There appears to be no verifiable records that can support instances where students leaving early are in accordance to the program's early release policies adopted by the District. Permission slips issued in accordance with the program's early release policies were not always kept as supporting evidence. Permission slips that were on file did not always correlate to the days students were being released early.

Questioned Cost

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review of attendance records from five of the twenty-one sites that operate the after school program. Manual attendance records were tallied and reviewed for each child's sign out time in order to determine daily participation. The issue was noted when we attempted to reconcile a sample of 20 students who were signed out early during the day to early release permission slips. Supporting permission slips were not provided for 15 of the students sampled or the permission slips provided did not correlate to the days a student was identified as being released early.

Effect

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

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Cause

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

Recommendation

The District should ensure that the early release permission slip adapted for the program is used for all students that sign out early. The District should include review and follow-up procedures to ensure that the sites operating the program are following established procedures.

Current Status

Not implemented. See current year finding 2010-1.



Governing Board
Rialto Unified School District
Rialto, California

In planning and performing our audit of the financial statements of Rialto Unified School District (the District), for the year ended June 30, 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2010, on the financial statements of Rialto Unified School District.

INTERNAL CONTROL

Position Control

Observation

The District is currently utilizing a human resources system other than the County system. As a result, the position control function is not integrated with the human resources or County payroll systems. Instead, the District is using manually prepared spreadsheets to track the number of employees in the District, by site and department. The use of manual spreadsheets increases the amount of time required to reconcile how many employees are currently working for the District and whether or not vacancies exist throughout the District. In addition, it increases the potential for error during the budget process, which can be critical during the current budget economy.

Recommendation

The District should consider integrating the human resources system with the County system, which would include the integration of position control into the County system. Using the County system for all three functions will likely increase efficiency for employees utilizing these systems and can reduce the potential for error resulting from manual input of data into spreadsheets.

District Response

The District is reviewing position control programs and plans to create a new job description for a Position Control Analyst. The Analyst will be responsible for coordinating position control between Human Resources and Fiscal Services.

ATTENDANCE

System Security

Observation

The auditor has noted that District-wide, the attendance system does not log a user out of the attendance system after a period of inactivity. The auditor has not identified attendance errors or irregularities as a result of this issue. However, such controls are important in preventing misuse of the attendance system.

Recommendation

The system should be modified to automatically log a user out of the attendance system after a period of inactivity to prevent an unauthorized user from obtaining access to make a system change. A reasonable period of inactivity before automatic log out could be 15 minutes. If the attendance software does not have such a function, then alternative procedures could include an automatic log out of the operating system (Windows).

District Response

Completed by June 11, 2010

The student system does not have the ability to log users out of the attendance system. We will use Active Directory Group policy to lock the users' computers. The policy locks the computer, it does not log the user off therefore data will not be lost. The policy will not work for staff logged onto a student computer. The policy will not work on Windows 2000 machines. Once the user is logged out, the user will need to enter their password to unlock the computer. Users have been informed that they are not to log onto student computers to take attendance – this information will be reiterated at the beginning of the school year. Repeat offenders can be restricted to only log onto certain machines, if the District so determines.

We have identified 16 staff computers that are Windows 2000 and will need to be replaced by the sites.

Site	Number of replacement computers
Eisenhower	13
Preston	1
DEC- Child Welfare & Attendance	1
Maintenance & Operations	1

The Coordinator of Information Technology and the Director of Fiscal Services will be responsible for ensuring that the District is in compliance. Any changes needed to the attendance security for a staff member will need to be requested in writing (email or memo) from one of the District's superintendents. The whole project will be completed by August 31, 2010.

CASH

Risk Management – Revolving Cash

Observation

The District has a revolving cash account for risk management activities with an approved imprest amount of \$30,000. However, the general ledger is only reporting an imprest amount of \$25,000 for this account.

Recommendation

The District should make the required adjustment to the general ledger to the properly reflect the balance of the revolving cash account of \$30,000.

District Response

The Fiscal Services Supervisor has increased the general ledger account to \$30,000, as of December 10, 2010.

ASSOCIATED STUDENT BODY (ASB)

Kolb Middle School

Observations

During our review of the site's ASB internal control processes, we noted the following issues:

1. Some expenditures reviewed were not pre-approved by the student council.
2. The bookkeeper is an authorized signor on the ASB checking account.
3. Revenue potential forms are not being used to document activity from fundraisers. These forms supply an element of internal controls which allow the ASB the ability to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

1. All ASB disbursements should be approved by the students before the expenditure takes place. This ensures proper funding is available and that disbursements are only made for student approved items.
2. Due to the lack of segregation of duties, we recommend that the bookkeeper be removed from the list of authorized check signors.
3. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.

District Responses

1. At a staff meeting on August 16, 2010, all teachers will be aware of the following procedure: all expenditures by ASB must be pre-approved. The Principal will not authorize reimbursement of said expenditure if not pre-approved. This procedure will be implemented by the ASB Teacher.
2. As of August 20, 2010, the signature of budget clerk will be removed from the school ASB checking account.
3. At the start of the new school year, the Revenue Potential Form along with the description and purpose of the fundraiser will be completed by the ASB advisor and reviewed by the Principal prior to any fundraiser being established to provide internal control and assist with a paper trail for the site.

Rialto High School

Observations

During the audit over the ASB's internal controls, we noted the following:

1. Deposits are not being made in a timely manner. Delays in deposit ranged from 8 days to 12 days from the date of receipt to the date of deposit. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. When funds are collected by teachers from students for deposit to the ASB, receipts are not issued to the students. In addition, the site is not utilizing a log to record the student's name and monies collected. As a result, there is no reconciliation process between the monies collected and cash turned in for deposit.
3. Some disbursements tested did not have an invoice to substantiate the disbursement of funds.
4. Bank reconciliations are not reviewed by an independent party at the site level.
5. The site does not maintain a master ticket control log. Ticket control logs provide adequate recordkeeping and controls to ensure that ticket stock is properly accounted for.
6. The ASB is not keeping track of their inventory for spirit wear. As a result, the ASB currently does not have the ability to determine if physical inventory on hand is accurate and whether inventory is properly accounted for including loss of items. In addition, the inventory is not accounted for on the balance sheet.
7. Sales of tickets for ticketed events are not centralized at the ASB office. Rather, tickets for event such as plays are sold by the drama department. Per further inquiry with site personnel, we determined that there are no controls over the receipt of funds nor are there adequate controls over ticket stock.

Recommendations

1. The ASB should make their deposits once a week to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit.
2. As part of cash control procedures, receipts should be used to document all transactions that involve the exchange of cash custody. In lieu of issuing receipts to students, the teacher can utilize a student log that records the student name, amount collected, and date collected. The student would sign the log and the log would be turned in with the cash to reconcile the cash received with the cash deposited.
3. Prior to disbursing any funds on the ASB's behalf, adequate supporting documentation including invoices should be on file to substantiate the incurrence of an expense.
4. Common to most ASB organizations, the bookkeeper performs most major financial functions of the organization. Since the bookkeeper performs a majority of receipting and disbursement functions, it is imperative that an independent party review bank reconciliations that the bookkeeper performs.

5. The ASB should develop and maintain a master ticket control log. Ticket controls logs ensure that all ticket stock is properly accounted for and prevents their misuse and theft.
6. The ASB should ensure that inventory held for sale has been properly accounted for to ensure accountability of all assets held. All inventory transactions should be documented on the general ledger, including purchases and sales to assist the physical inventory reconciliation process. By summarizing the inventory transactions and arriving at the ending inventory, the ASB has the ability perform an analysis between the physical inventory and inventory reflected on the general ledger to determine if unusual variances have taken place. The ASB should be recording the cost value of the inventory on the balance sheet so that assets are correctly stated.
7. The school should consider centralizing the sale of tickets in the ASB office. Centralizing this function will help ensure that specific controls are in place to mitigate the risk of misappropriation of assets.

District Responses

1. As of October 2009, weekly deposits will be made. Effective immediately, any cash deposits exceeding \$10,000 will be made as often as necessary. In the event that the ASB clerk is not available to make deposits the ASB Advisor will take responsibility. When neither the ASB Clerk or Advisor is not available, the Assistant Principal will make the deposits.
2. Effective immediately, Advisors will have two options when receiving funds from students: Issue receipts or maintain a cash log. ASB will no longer accept cash unless there is a cash log or receipts available to use.
3. Effective immediately, all activities and fund requests must be submitted prior to the first week in May allowing enough time for proper procedure to be implemented. Signatures of all ASB and School personnel must be on all paperwork along with the approval of the Student Council before any checks can be issued.
4. As of March 2010, the ASB Advisor will be responsible for reviewing the bank reconciliations monthly. The Assistant Principal overseeing ASB at the site will perform this function if the Advisor is unavailable.
5. Beginning with the 2010-2011 school year, a master ticket log will be implemented and kept locked in the ASB storage room. Any club needing tickets will need to order them from our print shop, have them delivered to the ASB to be logged in and distributed. The individual ASB advisor will be responsible to maintain a ticket log for their accounting and will return that log with the unsold tickets, cash log verifying ticket numbers and the correct amount of cash.
6. Beginning with the 2010-2011 school year, the ASB clerk and Advisor will be responsible for keeping inventory of spirit wear and PE clothes currently in stock on the Blue Bear program. Inventory is currently listed on the Revenue Potentials form.
7. This finding has been addressed in Finding 5.

ASSOCIATED STUDENT BODY

Carter High School

Observations

1. Stale dated checks remain un-cleared as of June 30, 2010. A total of \$1,391 dating back as far as January 2007 remained outstanding as of year-end.
2. The bank reconciliation as of June 30, 2010, reflects outstanding deposits totaling \$108,913. The total balance in the account as of June 30, 2010, including these deposits was \$132,252. The uncleared deposits date back to May 2009 through May 2010. Bank deposits generally clear within two days, thus it appears as though these deposits do not represent true cash balances for the ASB.
3. Bank reconciliations are not reviewed by an independent third person.

Recommendations

1. Stale dated checks should be properly written off after a period of time (generally six months) to reflect the true cash balance of the ASB. If a check written off is subsequently cleared, the ASB can make the proper adjustment to the account.
2. The District should investigate the reasons for the uncleared deposits. If it is determined that the deposits are in error, the amounts should be properly adjusted.
3. All bank reconciliations should be reviewed by an independent third party to ensure the proper preparation of the bank reconciliation and to assist in identifying errors or irregularities in the bank reconciliation.

District Responses

CARTER HIGH SCHOOL
ASB Procedures and Protocols

Effectively November 15, 2010:

Deposits

1. All cash deposits must be double verified by the following personnel: a) club sponsor, b) ASB Budget Clerk, or ASB Director or an Administrator.
2. All cash deposits must be documented on the cash deposit form and both parties must sign for the agreed upon deposit amount and all receipts must be attached to the cash deposit form and initialed by both parties.
3. Bank deposits must be done on a weekly basis or at the very least on a bi-weekly basis. All bank deposits must be verified by an administrator before the deposit is made and then verified upon return. Included will be a weekly record of money collected daily from the date of the previous deposit. Verification can be made by adding up the receipts that are attached to the bank deposit slip and matching it to the sales record.

Refunds

1. All refunds of any kind will be issued by check only. Cash refunds will only be approved by the Principal/s on very limited basis.
2. Documentation must be attached to all refunds.

ASB Cash Drawer

1. The cash drawer will be balanced twice a day; at the end of second lunch and at the end of day by the ASB Budget Clerk and ASB Director.
 - a. At the end of second lunch, a sales record will be generated, cash and credit cards will be reconciled and it will be signed and dated with a time stamp by the activities director and placed in a weekly folder.
 - b. At the end of the day, both parties will again reconcile the cash drawer based on a final day sales report and fill out the cash deposit form and sign to verify the contents. If the budget clerk or ASB director is unavailable an Administrator will count the drawer.
2. The weekly records will be removed from the folder at the end of each week and placed in a monthly file for bank reconciliation purposes.

Activities involving Ticket Sales

1. All activities that involve ticket sales must be documented properly.
 - a. The beginning ticket number for all tickets used for a particular event must be documented, along with the contents of each cash drawer, using the ASB approved form.
 - b. At the end of the activity the ending ticket must be documented and the contents of the drawer must be verified by the Administrator on supervision duty or the ASB director before it is placed into the safe.
2. All persons involved with the cash drawer/ticket sales must verify by signature what they are receiving and turning in.

Fundraisers

1. All fundraisers must have a revenue potential form approved by principal/s before the fundraiser can begin.

Club Accounts

1. All clubs will receive a monthly accounting report.

Miscellaneous

1. All monthly reconciliations must be verified by the Principal/s.
2. Any and all discrepancies in regards to money must be brought to the principal's attention immediately.
3. Any concerns or problems regarding the accounting software or technology in the ASB office must be documented by submitting an incident request immediately and the principals must be notified.
4. A copy of the monthly bank statement will be provided to the principals' secretary for their review immediately upon receipt of the statement.
5. All filing must be done in a timely manner.
6. All filing and reports must be completed before the budget clerk leaves for the end of the school year.

Rialto High School

Observations

1. Stale dated checks remain un-cleared as of June 30, 2010. A total of \$6,368 dating back as far as January 2009 remained outstanding as of year-end.
2. Voided checks on the bank reconciliation were not properly voided. It appears as though the District is preparing a manual adjustment to reverse the voided check instead of actually voiding the check. As a result, the bank reconciliation still reflects the checks issued as well as the adjustment to void it as outstanding activity.
3. Various adjustments remain un-cleared as of June 30, 2010. A total of \$515 dating back as far as September 2008 remained outstanding as of year-end.
4. Although there is a review process for the bank reconciliation, it does not appear as though the review is effective in ensuring the accuracy of the reconciliation as a result of the issues noted above.

Recommendations

1. Stale dated checks should be properly written off after a period of time (generally six months) to reflect the true cash balance of the ASB. If a check written off is subsequently cleared, the ASB can make the proper adjustment to the account.
2. The District should work with the site to ensure that voided checks are recorded properly.
3. Adjustments should be properly cleared during the bank reconciliation process. Any uncleared adjustments should be investigated and written off if they are a result of an error.
4. During the bank reconciliation review, the reviewer should question stale dated checks and other outstanding items and provide guidance to the preparer on how to proceed. If further clarification is needed, the site can always contact the District or Blue Bear Support for assistance.

District Response

On December 10, 2010, Fiscal Services is presenting the annual ASB workshop for school sites. ASB clerks and supervisors are required to attend the meeting per direction of the Superintendent.

Procedures for bank reconciliations, school site inventory and state dated checks will be reviewed and copies of procedures will be given to staff.

Elementary Schools

Observations

1. The bank reconciliation for June identified outstanding checks as of June 30, 2010. The series of checks issued in June and included on the outstanding check list did not identify the check number for the outstanding item. Since the ASB uses Quicken to prepare the check register and reconcile the bank account, the check numbers should be automatically identified on the bank reconciliation if they were properly recorded in the check register.
2. Stale dated checks remain un-cleared as of June 30, 2010. A total of \$453 dating back as far as July 2008 remained outstanding as of year-end.

Recommendations

1. All relevant information for all checks issued should be recorded in Quicken to ensure that transactions are complete and properly supported. This includes the check number, date, vendor and amount.
2. Stale dated checks should be properly written off after a period of time (generally six months) to reflect the true cash balance of the ASB. If a check written off is subsequently cleared, the ASB can make the proper adjustment to the account.

District Response

The Fiscal Services Supervisor is responsible for maintaining elementary ASB functions. All required information has been updated as of December 10, 2010.

Other ASB Finding for All School Sites

Observations

1. All bank reconciliations should be reviewed by an independent third party to ensure the proper preparation of the bank reconciliation and to assist in identifying errors or irregularities in the bank reconciliation. In reviewing the middle school ASB accounts, it did not appear as though any of them included a review process.
2. Middle and high school ASBs with inventory (PE clothes, student store, etc.) did not have inventory counts with extended costs as of June 30, 2010 available for audit. Although some sites provided an inventory listing, it did not include the cost associated with the units on hand.
3. Kucera and Frisbie Middle School have stale dated checks appearing on their bank reconciliation as of June 30, 2010. Although amounts were small, stale dated items should be written off.

Recommendations

1. All schools should implement a review process over the bank reconciliations to ensure the proper preparation of the bank reconciliation and to assist in the identification of errors or irregularities.
2. Schools with inventory should prepare a year-end physical inventory count that identifies all units on hand, cost associated with the unit and the extended (total) cost for all units. This report should be available for audit.
3. Stale dated checks should be properly written off after a period of time (generally six months) to reflect the true cash balance of the ASB. If a check written off is subsequently cleared, the ASB can make the proper adjustment to the account.

District Response

On December 10, 2010, Fiscal Services is presenting the annual ASB workshop for school sites. ASB clerks and supervisors are required to attend the meeting per direction of the Superintendent.

Procedures for bank reconciliations, school site inventory and state dated checks will be reviewed and copies of procedures will be given to staff.

Governing Board
Rialto Unified School District

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

Vannatta, Irvine, Day + Co., LLP

Rancho Cucamonga, California

December 7, 2010