

**RIALTO UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018**



RIALTO UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
182 East Walnut Avenue
Rialto, CA 92376

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
Rialto, CA 92376

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

Opinions

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the net OPEB liability, schedule of postemployment healthcare benefits employer contributions, schedule of postemployment healthcare benefits money-weighted rate of return on plan assets, schedule of the District's proportionate share of the net pension liability and schedule of the District's pension contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
Rialto, CA 92376

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, the other supplementary schedules and the combining non-major fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Average Daily Attendance (ADA), Schedule of Instructional Time, Schedule of Expenditures of Federal Awards, Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements, the Notes to the Supplementary Information and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The History and Organization, Schedule of Financial Trends and Analysis and Schedule of Charter Schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

MD&A

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments) issued June 1999. Certain comparative information between the current and prior year is required to be presented in the MD&A.

Financial Highlights

- Overall revenues and other financing sources for governmental activities totaled \$348.4 million or \$4.5 million less than expenditures.
- Overall the District's net capital assets increased by \$13.4 or 3.9% over the course of the year. This was primarily due to the completion of the new stadium at Eisenhower High School.
- The District's total long-term debt obligations increased by \$53.2 million during the current fiscal year. The increase was due to an increase in the Net Pension Liability and the new loan to implement energy efficiency measures.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$71.9 million or 23.3% of total General Fund expenditures.

Student Enrollment and Average Daily Attendance (ADA)

This section provides an overview of the District's enrollment and attendance trends.

Projected Student Enrollment –

- Enrollment has been decreasing since the 2005-06 school year. On average, the District's enrollment has decreased by 322 students over the last three years.
- The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Projected Student Average Daily Attendance (ADA) –

- The Districts ADA has decreased because of an overall decrease in student enrollment.
- ADA will continue to decline as enrollment is projected to continue decreasing.

Fund Financial Statements

More detailed information about the District's major governmental funds, not the District as a whole, are provided in the fund financial statements. Other governmental funds are combined and presented in a single column. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures in a particular program. Some funds are required by bond covenants, by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debts). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

The District maintains three classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and focus on the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the government fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information is presented in a separate reconciliation provided after the governmental fund statements that explains the differences (or relationships) between the governmental fund statements and the government-wide statements.

Fiduciary funds: For assets that belong to others, such as student activities funds, the District acts as the trustee, or fiduciary. The District has nine Associated Student Body Funds. The District is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. A separate statement of fiduciary net position and a statement of changes in fiduciary net position reports the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used to finance other District operations.

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, deferred outflow of resources, liabilities (current and non-current) and net position (assets, plus deferred outflow of resources, minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets, plus deferred outflow of resources, less total liabilities (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense. The deferred outflow of resources is comprised of the deferred charge on refunding general obligation bond debt. The deferred charge on refunding is the difference between the reacquisition price and the net carrying amount of the old debt refunded, and a portion is amortized each year.

The net position is presented in three major categories. The first category provides the information in regards to equity amount in property, plant, and equipment owned by the District. The second category provides information on net position that is restricted by external parties as to use. The third category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The Statement of Net Position for both the governmental activities for the years ended June 30, 2017 and June 30, 2018 are summarized and analyzed below:

Summary of Statement of Net Position	Governmental Activities		Variance
	2017-18	2016-17	
Non-capital Assets	\$ 166,185,623	\$ 135,528,511	\$ 30,657,112
Capital Assets	<u>352,924,964</u>	<u>335,454,986</u>	<u>17,469,978</u>
Total Assets	<u>519,110,587</u>	<u>470,983,497</u>	<u>48,127,090</u>
 Deferred Outflows of Resources	 <u>100,841,907</u>	 <u>62,363,185</u>	 <u>38,478,722</u>
 Current Liabilities	 35,939,605	 30,239,925	 5,699,680
Long Term Liabilities	<u>460,881,530</u>	<u>378,538,928</u>	<u>82,342,602</u>
Total Liabilities	<u>496,821,135</u>	<u>408,778,853</u>	<u>88,042,282</u>
 Deferred Inflows of Resources	 11,925,567	 9,159,370	 2,766,197
Deferred Inflows - OPEB	<u>12,053</u>	<u>-</u>	<u>12,053</u>
Total Deferred Inflows	<u>11,937,620</u>	<u>9,159,370</u>	<u>2,778,250</u>
 Net Position Invested in Capital Assets	 224,096,024	 227,985,686	 (3,889,662)
Net Position Legally Restricted	49,671,255	29,609,511	20,061,744
Net Position Unrestricted	<u>(162,573,540)</u>	<u>(142,186,738)</u>	<u>(20,386,802)</u>
Total Net Position (as restated)	<u>\$ 111,193,739</u>	<u>\$ 115,408,459</u>	<u>\$ (4,214,720)</u>

RIALTO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Statement of Activities

The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this statement presents the District's results of operations.

The Statement of Activities for the years ended June 30, 2017 and June 30, 2018 are summarized below:

	<u>Governmental Activities</u>		
	<u>2017-18</u>	<u>2016-17</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 3,917,676	\$ 2,572,272	\$ 1,345,404
Operating grants and contributions	65,907,528	51,578,792	14,328,736
Capital grants and contributions	18,896	27,831	(8,935)
General revenues:			
Property Taxes	36,727,485	31,179,639	5,547,846
Federal and state aid not restricted	239,427,042	238,782,410	644,632
Interest and investment earnings	863,075	504,445	358,630
Miscellaneous	1,538,622	572,288	966,334
Total Revenues	<u>348,400,324</u>	<u>325,217,677</u>	<u>23,182,647</u>
Expenses			
Instruction	184,123,589	183,811,552	312,037
Instruction-related services	44,945,975	36,365,665	8,580,310
Pupil services	45,632,739	28,407,472	17,225,267
Community services	927	808	119
General administration	17,533,634	15,581,034	1,952,600
Plant services	33,848,798	29,926,780	3,922,018
Other outgo	72,935	-	72,935
Debt service - interest	10,390,259	6,785,308	3,604,951
Depreciation (unallocated)	16,341,334	15,246,703	1,094,631
Total Expenses	<u>352,890,190</u>	<u>316,125,322</u>	<u>36,764,868</u>
Change in net position	(4,489,866)	9,092,355	(13,582,221)
Net Position, beginning of year	<u>115,683,605</u>	<u>106,316,104</u>	<u>9,367,501</u>
Net Position, end of year	<u>\$ 111,193,739</u>	<u>\$ 115,408,459</u>	<u>\$ (4,214,720)</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Statement of Activities (continued)

- Total revenues of the governmental activities increased by \$23.1 million between fiscal years. The increase is a result of Federal and State aide, the majority arising from the Local Control Funding Formula (LCFF), one time state funds, and the receipt of funds from the energy efficiency loan.
- Total expenses of the governmental activities increased in 2017-2018 by \$36.7 million between fiscal years. The increase is mainly attributed to the increase in salaries and benefits, several capital projects at our schools, investment in instructional technology and the Local Control Accountability Plan (LCAP) approved programs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the District had an increase of \$13.4 million invested in capital assets, net of depreciation, in governmental funds. The change is net effect of the completion of several classroom addition projects and the increase in depreciation expense.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation at year-end for 2017 and 2018 are presented below:

	Governmental Activities	
	Balance	Balance
	June 30, 2018	June 30, 2017
Land	\$ 39,752,485	\$ 39,752,485
Buildings and improvements	457,945,114	437,072,988
Equipment and vehicles	30,962,470	26,855,330
Construction in progress	30,205,511	25,666,161
Totals at historical cost	<u>558,865,580</u>	<u>529,346,964</u>
Less: accumulated depreciation for		
Buildings and improvements	185,580,246	170,667,345
Equipment and vehicles	20,360,370	19,121,275
Total accumulated depreciation	<u>205,940,616</u>	<u>189,788,620</u>
Governmental capital assets, net	<u>\$ 352,924,964</u>	<u>\$ 339,558,344</u>

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Capital Assets and Debt Administration (continued)

Debt

Notes 7-12 to the financial statements provide additional information on outstanding debt. A summary of the District’s outstanding debt at year-end for 2017 and 2018 is presented below:

	Governmental Activities	
	Balance June 30, 2018	Balance June 30, 2017
General obligation bonds, including accreted interest	\$ 120,685,055	\$ 119,260,894
Certificates of participation	4,325,000	4,995,000
Banc of America	10,703,677	-
City of Rialto redevelopment agency loan	4,886,941	4,961,941
Compensated absences	957,460	965,832
Net Pension Liability	288,905,465	245,791,872
Post employment healthcare benefits	30,417,932	31,665,062
	<u>\$ 460,881,530</u>	<u>\$ 407,640,601</u>

Economic Factors That May Affect the Future

2017-18 STATE BUDGET - The Local Control Funding Formula (LCFF) has increased the funding and resources for all school districts. The new funding model gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students.

To ensure the funds are utilized effectively, the LCFF required the school district to prepare a Local Control Accountability Plan. This plan is a strategic planning and evaluation tool developed amongst the parent, community, and District stakeholders. It intends to increase public transparency and accountability for improving student achievement by utilizing dollars effectively. The Rialto Unified School District LCAP was adopted on June 27, 2018.

The LCFF provides a positive forecast for the future of education; however, the District will have to be strategic and cautious in administering its finances. There is no statutory guaranteed increase in any given year. The LCFF will be funded 100% by the end of 18-19. A conservative approach must be taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Contacting the District's Financial Management

This financial report is designed to provide the governing board, administration, faculty, parents, students, community stakeholders, investors, creditors, etc., with a general overview of the District's financial condition and to establish accountability for the funding it receives. If you have questions regarding this report or need additional financial information, Rialto Unified School District, 182 E Walnut Avenue, Rialto, California, 92376, or email mislam@rialto.k12.ca.us.

FINANCIAL SECTION

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET POSITION
June 30, 2018**

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 151,193,771
Accounts receivable	
Federal and state governments	11,317,091
Miscellaneous	2,691,195
Inventories	609,667
Prepaid expenses	373,899
Land	39,752,485
Construction in progress	30,205,511
Depreciable assets, net	<u>282,966,968</u>
Total Assets	<u>519,110,587</u>
 <u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	1,737,251
Deferred outflows - OPEB	4,651,439
Deferred outflows - pensions	<u>94,453,217</u>
Total Deferred Outflows of Resources	<u>100,841,907</u>
 <u>Liabilities</u>	
Accounts payable and other current liabilities	34,512,112
Accrued interest	1,028,652
Unearned revenue	398,841
Current portion of long-term liabilities	11,727,587
Non-current portion of long term liabilities	<u>449,153,943</u>
Total Liabilities	<u>496,821,135</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	11,925,567
Deferred inflows - OPEB	<u>12,053</u>
Total Deferred Inflows	<u>11,937,620</u>
 <u>Net Position</u>	
Net investment in capital assets	224,096,024
Restricted for:	
Debt service	9,936,340
Capital projects	9,790,406
Educational programs	29,944,509
Unrestricted	<u>(162,573,540)</u>
Total Net Position	<u>\$ 111,193,739</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 184,123,589	\$ -	\$ 32,542,851	\$ -	\$ (151,580,738)
Instruction - related services	44,945,975	-	6,953,253	-	(37,992,722)
Pupil services	45,632,739	1,216,603	20,570,628	-	(23,845,508)
Community services	927	-	-	-	(927)
General administration	17,533,634	76,407	2,269,760	-	(15,187,467)
Plant services	33,848,798	1,614,748	3,067,279	18,896	(29,147,875)
Other outgo	72,935	1,009,918	503,757	-	1,440,740
Debt service - interest	10,390,259	-	-	-	(10,390,259)
Depreciation (unallocated)	16,341,334	-	-	-	(16,341,334)
Total Governmental Activities	\$ 352,890,190	\$ 3,917,676	\$ 65,907,528	\$ 18,896	(283,046,090)
General Revenues					
Property taxes levied for					
General purposes					25,674,876
Debt service					8,848,807
Other specific purposes					2,203,802
Federal and state aid not restricted to specific purposes					239,427,042
Interest and investment earnings					863,075
Miscellaneous					1,538,622
Total General Revenues and Special Items					278,556,224
					Change in net position
					(4,489,866)
Net Position - Beginning of Year					135,607,084
Cumulative effect of change in accounting principle (see note 16)					(19,923,479)
Net Position - Beginning of Year					115,683,605
Net Position - End of Year					\$ 111,193,739
See accompanying notes to the financial statements.					

RIALTO UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund	Building Fund	Nutrition Services Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 91,727,192	\$ 12,697,398	\$ 17,669,009	\$ 29,010,172	\$ 151,103,771
Cash in revolving fund	90,000	-	-	-	90,000
Accounts receivable					
Federal and state governments	8,692,001	-	1,920,709	704,381	11,317,091
Miscellaneous	1,943,930	61,364	376,548	309,353	2,691,195
Due from other funds	634,738	-	249,030	1,076,888	1,960,656
Inventories	160,352	-	449,315	-	609,667
Prepaid expenditures	364,449	-	-	9,450	373,899
Total Assets	<u>\$ 103,612,662</u>	<u>\$ 12,758,762</u>	<u>\$ 20,664,611</u>	<u>\$ 31,110,244</u>	<u>\$ 168,146,279</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 29,977,100	\$ 2,724,280	\$ 406,969	\$ 1,403,763	\$ 34,512,112
Due to other funds	1,317,335	-	197,932	445,389	1,960,656
Unearned revenue	398,841	-	-	-	398,841
Total Liabilities	<u>31,693,276</u>	<u>2,724,280</u>	<u>604,901</u>	<u>1,849,152</u>	<u>36,871,609</u>
Fund Balances					
Nonspendable	614,801	-	449,315	9,450	1,073,566
Restricted	9,748,086	10,034,482	19,449,100	21,502,721	60,734,389
Assigned	23,668,256	-	161,295	7,748,921	31,578,472
Unassigned	37,888,243	-	-	-	37,888,243
Total Fund Balances	<u>71,919,386</u>	<u>10,034,482</u>	<u>20,059,710</u>	<u>29,261,092</u>	<u>131,274,670</u>
Total Liabilities and Fund Balances	<u>\$ 103,612,662</u>	<u>\$ 12,758,762</u>	<u>\$ 20,664,611</u>	<u>\$ 31,110,244</u>	<u>\$ 168,146,279</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2018

Total fund balances - governmental funds	\$ 131,274,670
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Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 39,752,485	
Construction in progress	30,205,511	
Depreciable assets, net	<u>282,966,968</u>	352,924,964

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated absences	(957,460)	
Certificates of participation (COPS)	(4,325,000)	
Energy upgrades lease	(10,703,677)	
General obligation bonds	(120,685,055)	
Postemployment health care benefits (OPEB)	(30,417,932)	
Net pension liability	(288,905,465)	
City of Rialto redevelopment agency loan	<u>(4,886,941)</u>	(460,881,530)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred charge on refunding	1,737,251	
Deferred outflows - OPEB	4,651,439	
Deferred outflows - pensions	94,453,217	
Deferred inflows - OPEB	(12,053)	
Deferred inflows - pensions	<u>(11,925,567)</u>	88,904,287

Interest expense related to certificates of participation, energy upgrades lease and general obligation bonds payable was incurred but not accrued through June 30, 2018.	<u>(1,028,652)</u>
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Total net position - governmental activities	<u>\$ 111,193,739</u>
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See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018**

	General Fund	Building Fund	Nutrition Services Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources:					
State apportionments	\$ 228,317,639	\$ -	\$ -	\$ -	\$ 228,317,639
Local sources	25,674,876	-	-	-	25,674,876
Total local control funding formula sources	253,992,515	-	-	-	253,992,515
Federal sources	17,871,192	-	14,622,213	-	32,493,405
Other state sources	29,342,790	-	1,032,441	4,750,602	35,125,833
Other local sources	12,723,728	550,704	1,637,268	11,895,102	26,806,802
Total Revenues	<u>313,930,225</u>	<u>550,704</u>	<u>17,291,922</u>	<u>16,645,704</u>	<u>348,418,555</u>
Expenditures					
Instruction	173,272,060	-	-	3,628,444	176,900,504
Instruction - related services	42,184,096	-	-	1,202,360	43,386,456
Pupil services	31,422,351	-	16,084,904	116,280	47,623,535
Community services	927	-	-	-	927
General administration	16,150,632	-	745,795	295,006	17,191,433
Plant services	37,096,893	12,264,757	191,800	9,676,354	59,229,804
Other outgo	668,910	-	-	-	668,910
Debt service	1,541,323	-	-	8,682,088	10,223,411
Total Expenditures	<u>302,337,192</u>	<u>12,264,757</u>	<u>17,022,499</u>	<u>23,600,532</u>	<u>355,224,980</u>
Excess (deficiency) of revenues over expenditures	11,593,033	(11,714,053)	269,423	(6,954,828)	(6,806,425)
Other Financing Sources (Uses)					
Interfund transfers in	1,194,351	-	-	5,594,582	6,788,933
Interfund transfers out	(5,388,298)	-	-	(1,400,635)	(6,788,933)
Other financing sources	-	-	-	11,962,818	11,962,818
Total Other Financing Sources	<u>(4,193,947)</u>	<u>-</u>	<u>-</u>	<u>16,156,765</u>	<u>11,962,818</u>
Net changes in fund balance	7,399,086	(11,714,053)	269,423	9,201,937	5,156,393
Fund Balances at Beginning of Year, as originally stated	64,520,300	21,748,535	20,198,625	20,059,155	126,526,615
Adjustment for reclassification (see note 17)	-	-	(408,338)	-	(408,338)
Fund Balances at Beginning of Year, as reclassified	<u>64,520,300</u>	<u>21,748,535</u>	<u>19,790,287</u>	<u>20,059,155</u>	<u>126,118,277</u>
Fund Balances at End of Year	<u>\$ 71,919,386</u>	<u>\$ 10,034,482</u>	<u>\$ 20,059,710</u>	<u>\$ 29,261,092</u>	<u>\$ 131,274,670</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

Net change in fund balances - total governmental funds \$ 5,156,393

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay	\$ 29,726,195	
Depreciation expense	<u>(16,341,334)</u>	
Excess of capital outlay over depreciation expense		13,384,861
 Disposal of fixed assets		 (18,241)

Debt proceeds: In governmental fund, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: Energy Upgrades Lease (11,500,000)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Certificates of participation principal payment	670,000	
Energy upgrades lease	796,323	
General obligation bond principal payment	6,416,730	
City of Rialto redevelopment agency loan	<u>75,000</u>	7,958,053

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was: (12,905,103)

In governmental funds, OPEB expenses are recognized when OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. The difference between OPEB expenses and actual employer OPEB contributions was: 1,417,543

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	10,752	
Net increase in accreted interest	(7,954,252)	
Net decrease in compensated absences	8,372	
Net decrease in premium on general obligation bonds	113,361	
Net decrease in deferred charge on refunding bonds	<u>(161,605)</u>	<u>(7,983,372)</u>

Change in net position of governmental activities \$ (4,489,866)

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 1,148,911
Accounts receivable	13,530
Inventories	12,392
Prepaid Expense	<u>5,000</u>
Total Assets	<u>1,179,833</u>
 <u>Liabilities</u>	
Accounts payable	82,002
Funds held in trust	<u>1,097,831</u>
Total Liabilities	<u><u>\$ 1,179,833</u></u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Community Services: includes activities that provide services to community participants other than students.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenses are presented by natural classification.

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund.

Deferred Maintenance Fund: used for the purpose of major repair or replacement of District property.

Building Fund: used to account for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued.

Nutrition Services Fund: used to account for revenues received and expenses made to operate the District's food service programs.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Adult Education Fund: used to account for resources restricted or committed to adult education programs maintained by the District.

Child Development Fund: used to account for resources committed to child development programs.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

County School Facilities Fund: used to account for the School Facility Program grants award for modernization and new construction of various school sites.

Special Reserve Fund: used to account for specific board-approved capital expenditures.

Debt Service Funds: used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

Bond Interest and Redemption Fund: used to account for the payment of principal and interest on general long-term debt.

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates nine organized Associated Student Body funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

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 in the county treasury is recorded at cost, which approximates fair value.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2018, the inventory for supplies is \$160,352. The inventory for food is \$449,315.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. 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.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	20-50 years
Furniture and equipment	2-15 years
Vehicles	2-15 years

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The District has the following deferred outflows of resources:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB benefits results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans. The deferred outflows – OPEB will be deferred and amortized as detailed in Note 13 to the financial statements.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. The deferred outflows – pensions will be deferred and amortized as detailed in Note 14 to the financial statements.

Postemployment Healthcare Benefits (OPEB).

For purposes of measuring the District's OPEB liability related to the California Employers' Retiree Benefit Trust (CERBT) Defined Benefit Agent Multiple Employer Other Postemployment Benefits Plan administered by the California Public Employee's Retirement System (CalPERS), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERBT Program and additions to/deductions from the CERBT fiduciary net position have been determined on the same basis as they are reported by the CERBT. For this purpose, the CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period. The District has the following deferred inflows of resources:

Deferred Inflows – OPEB: The deferred inflows of resources related to OPEB benefits results from the difference between the estimated and actual return on OPEB plan investments. These amounts are deferred and amortized as detailed in Note 13 to the financial statements.

Deferred Inflows – Pensions: The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 14 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District. All other net position is unrestricted.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a)

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to Assistant Superintendent of Business to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

The Rialto Unified School District School Facilities Corporation: The financial activity has been blended in the District's Special Reserve for Capital Outlay Fund and the General Fund. The liability associated with the Certificates of Participation issued by the Corporation are included in the Statement of Net Position. Individually prepared financial statements are not prepared for the Corporation.

The following potential component unit has been excluded from the District's reporting entity:

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

NOTE 2: BUDGETS

By state law, the District's Governing Board must approve a budget no later than July 1, using

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: BUDGETS

the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2018, \$1,149,451 of the District's bank balance of \$1,646,567 was exposed to credit risk as uninsured and collateral held by the pledging bank's trust department, not in the District's name.

Investments

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 98.66% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: DEPOSITS AND INVESTMENTS

are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the San Bernardino County office at 760 East Brier Drive, San Bernardino, CA 92408.

NOTE 4: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2018 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 634,738	\$ 1,317,335
Nutrition Services Fund	249,030	197,932
Special Revenue Funds		
Adult Education Fund	100,000	32,356
Child Development Fund	-	413,033
Capital Projects Funds		
Special Reserve for Capital Outlay Fund	976,888	-
Total	\$ 1,960,656	\$ 1,960,656

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4: INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2017-18 fiscal year are as follows:

Transfer from the Child Development Fund to the General Fund for salary benefits paid from the general fund but are Child Development Fund expenses.	\$ 47,940
Transfer from the General Fund to the Adult Education Fund for contribution for concurrently enrolled students costs.	100,000
Transfer from the General Fund to the Child Development Fund for cost of operation of Rialto Unified School District preschool.	1,100,000
Transfer from the General Fund to the Deferred Maintenance Fund for various deferred maintenance projects.	1,146,410
Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for various capital projects including the HVAC system replacements, CNG station, Nutrition Services roofing, etc.	<u>4,394,583</u>
Total	<u><u>\$ 6,788,933</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 5: FUND BALANCES

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Building Fund	Nutrition Services Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Inventories	160,352	-	449,315	-	609,667
Prepaid expenditures	364,449	-	-	9,450	373,899
Total nonspendable	<u>614,801</u>	<u>-</u>	<u>449,315</u>	<u>9,450</u>	<u>1,073,566</u>
Restricted:					
Debt service	-	-	-	10,964,992	10,964,992
Capital projects	-	10,034,482	-	9,790,406	19,824,888
Nutrition services	-	-	19,449,100	-	19,449,100
Educational programs	9,748,086	-	-	747,323	10,495,409
Total restricted	<u>9,748,086</u>	<u>10,034,482</u>	<u>19,449,100</u>	<u>21,502,721</u>	<u>60,734,389</u>
Assigned:					
Capital projects	-	-	-	7,748,921	7,748,921
Other assignments	23,668,256	-	161,295	-	23,829,551
Total assigned	<u>23,668,256</u>	<u>-</u>	<u>161,295</u>	<u>7,748,921</u>	<u>31,578,472</u>
Unassigned:					
Economic uncertainties	9,384,800	-	-	-	9,384,800
Unassigned	28,503,443	-	-	-	28,503,443
Total unassigned	<u>37,888,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,888,243</u>
Total fund balance	<u><u>\$ 71,919,386</u></u>	<u><u>\$ 10,034,482</u></u>	<u><u>\$ 20,059,710</u></u>	<u><u>\$ 29,261,092</u></u>	<u><u>\$ 131,274,670</u></u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	25,666,161	20,349,671	15,810,321	30,205,511
Total capital assets not being depreciated	<u>65,418,646</u>	<u>20,349,671</u>	<u>15,810,321</u>	<u>69,957,996</u>
Capital assets being depreciated:				
Buildings	437,072,988	20,872,126	-	457,945,114
Equipment	26,855,330	4,314,719	207,579	30,962,470
Total capital assets being depreciated	<u>463,928,318</u>	<u>25,186,845</u>	<u>207,579</u>	<u>488,907,584</u>
Less accumulated depreciation for:				
Buildings	(170,667,345)	(14,912,901)	-	(185,580,246)
Equipment	(19,121,275)	(1,428,433)	(189,338)	(20,360,370)
Total accumulated depreciation	<u>(189,788,620)</u>	<u>(16,341,334)</u>	<u>(189,338)</u>	<u>(205,940,616)</u>
Depreciable assets, net	<u>274,139,698</u>	<u>8,845,511</u>	<u>18,241</u>	<u>282,966,968</u>
Governmental activities capital assets, net	<u>\$ 339,558,344</u>	<u>\$ 29,195,182</u>	<u>\$ 15,828,562</u>	<u>\$ 352,924,964</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

	Balance			Balance June 30, 2018	Amount Due in One Year
	July 1, 2017 *	Additions	Reductions		
General obligation bonds	\$ 94,854,319	\$ -	\$ 5,316,923	\$ 89,537,396	\$ 5,583,494
Capital appreciation interest	22,098,187	7,954,252	1,099,807	28,952,632	1,099,807
Premium on general obligation bonds	2,308,388	-	113,361	2,195,027	-
Total general obligation bonds	119,260,894	7,954,252	6,530,091	120,685,055	6,683,301.0
Energy upgrades lease	-	11,500,000	796,323	10,703,677	639,286
Compensated absences	965,832	-	8,372	957,460	-
Certificates of participation	4,995,000	-	670,000	4,325,000	4,325,000
Postemployment healthcare benefits	31,665,062	-	1,247,130	30,417,932	-
Net pension liability	245,791,872	43,113,593	-	288,905,465	-
City of Rialto redevelopment agency loan	4,961,941	-	75,000	4,886,941	80,000
Total	<u>\$ 407,640,601</u>	<u>\$ 62,567,845</u>	<u>\$ 9,326,916</u>	<u>\$ 460,881,530</u>	<u>\$ 11,727,587</u>

* The July 1, 2017 balance has been restated by \$24,392,453 for the cumulative effect of the adoption of the Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension. This includes the District's Postemployment Healthcare Benefits Plan. See note 13.

Payments for the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for the City of Rialto Redevelopment Agency Loan, Certificates of Participation and the Energy Upgrades Lease are made by the General Fund. The accumulated vacation liability will be paid from the fund from which the employee was paid. Postemployment healthcare benefits are paid by the General Fund.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: LEASES

Operating Leases

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2019	\$ 3,783,068
2020	3,283,065
Total	<u>\$ 7,066,133</u>

Current year expenditures for operating leases is approximately \$1,255,655. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 9: CERTIFICATES OF PARTICIPATION

The agreement dated June 2006, is between the District as the "lessee" and the Rialto Unified School District School Facilities Corporation as the "lessor" or "corporation". The Rialto Unified School District Corporation is a legally separate entity which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to the District.

The Corporation's funds for acquiring these items were generated by the issuance of \$4,770,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and, therefore, issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease agreement on each March and September for use and possession of the equipment for the period commencing March 1, 2007 and terminating September 1, 2029. Lease payments will be funded in part from the proceeds of the Certificates. Interest rates range from 4.00% to 6.00% for the length of the issuance.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable.

In September 1997, the Rialto Unified School District Facilities Corporation issued the 1997 Refunding Certificates of Participation in the amount of \$12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: CERTIFICATES OF PARTICIPATION

of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates.

As a result, the Certificates were reoffered at \$12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. The certificates have a maturity date of September 1, 2020, with an interest rate of 4.65 percent.

The annual requirements to amortize the 2006 Certificates of Participation and 1997 Refunding Certificates of Participation, outstanding as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 700,000	\$ 175,628
2020	730,000	144,566
2021	760,000	111,387
2022	200,000	90,038
2023	210,000	81,325
2024-2028	1,175,000	260,763
2029-2030	550,000	25,500
Total	<u>\$ 4,325,000</u>	<u>\$ 889,207</u>

Certificates of Participation were paid in full during October 2017, contrary to the above payoff schedule.

NOTE 10: GENERAL OBLIGATION BONDS

Measure H 1999 Election

On September 14, 1999, \$60,000,000 in general obligation bonds were authorized at a special election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and paying related costs.

Between 2000 and 2004, the District issued bonds, Series A – C, totaling \$59,995,038. In 2012, the District issued a refunding bond (Series 2012) to advance refund portions of Series B and C.

The balance of the bonds refunded was \$2,545,274 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$161,605 was recognized during the year ended June 30, 2018.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2012 through 2025. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: GENERAL OBLIGATION BONDS

accrued and included as an addition in the long-term debt schedule is \$641,560. Accreted interest paid and included as a deduction in the long-term debt schedule is \$1,099,807. The balance of accreted interest at June 30, 2018 is \$6,117,822.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$1,716,066. The amount will be amortized using the straight-line method. Amortization of \$107,254 was recognized for fiscal year 2017-18.

Measure Y 2010 Election

On November 2, 2010, \$98,000,000 in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the acquisition, construction, and modernization of school facilities and paying related costs.

Between 2011 and 2015, the District issued bonds, Series A, B and 2015, totaling \$68,642,187.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$7,312,692. The balance of accreted interest at June 30, 2018 is \$22,834,809.

Premium and discounts are netted against the carrying amount of the bonds and are amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$2,347,592 and the Series B bonds included a discount of \$1,068,488. These amount will be amortized using the straight-line method. Net amortization of \$6,107 was recognized for fiscal year 2017-18.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018</u>
1999:					
Series A	6/1/2000	2025	4.75-6.25	\$ 19,995,038	\$ 3,045,210
2012 Refunding	5/17/2012	2029	2.00-5.00	29,865,000	23,175,000
Total Measure 1999				<u>49,860,038</u>	<u>26,220,210</u>
2010:					
Series A	3/17/2011	2042	7.35	26,932,187	26,932,187
Series B	3/17/2011	2027	5.280-6.911	9,695,000	9,695,000
Series 2015	3/26/2015	2027	1.258-4.128	32,015,000	26,690,000
Total Measure 2010				<u>68,642,187</u>	<u>63,317,187</u>
Total				<u>\$ 118,502,225</u>	<u>\$ 89,537,397</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>
2019	\$ 5,583,495	\$ 2,136,901	\$ 1,131,506
2020	5,866,759	1,987,589	1,175,426
2021	6,172,683	1,799,397	1,204,259
2022	6,519,683	1,572,868	1,229,459
2023	6,894,914	1,316,838	1,257,664
2024-2028	31,123,737	8,331,877	6,951,068
2029-2033	5,862,404	18,847,850	18,622,484
2034-2038	7,221,660	18,535,781	27,547,627
2039-2042	14,292,062	6,847,628	29,057,939
Total	<u>\$ 89,537,397</u>	<u>\$ 61,376,729</u>	<u>\$ 88,177,432</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: ENERGY UPGRADES LEASE:

On October 27, 2017, the Rialto Unified School District School Facilities Corporation entered into a lease and assignment financing agreement with Banc of America Public Capital Corp for \$11,500,000. Proceeds will be used for District-wide heating, ventilation and air conditioning, LED lighting and energy management system upgrades. Repayment terms are annual payments of \$928,285 over 15 years at an interest rate of 2.70%. The annual debt service requirements for lease is:

Year Ending June 30,	Principal	Interest
2019	\$ 639,286	\$ 288,999
2020	656,547	271,739
2021	674,274	254,012
2022	692,479	235,806
2023	711,176	217,109
2024-2028	3,854,488	786,940
2029-2032	3,475,427	237,715
Total	<u>\$ 10,703,677</u>	<u>\$ 2,292,320</u>

NOTE 12: 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. A portion of the proceeds was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA.

During 2008, the District borrowed an additional \$3,390,000 to complete the project.

During the 2014-2015 school year, the District was informed that the City of Rialto refinanced the 2005 portion of the RDA loans with the District. The former premium was written off. The current payment schedule was provided by the city.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

The RDA has since been dissolved and debt service payments are now paid directly to the City of Rialto. As of June 30, 2018, future minimum loan payments are:

Year Ending June 30,	Principal	Interest
2019	\$ 80,000	\$ 257,434
2020	80,000	253,435
2021	85,000	249,434
2022	90,000	244,972
2023	95,000	240,113
2024-2028	560,000	1,114,846
2029-2033	1,918,574	854,309
2034-2038	1,978,367	272,557
Total	<u>\$ 4,886,941</u>	<u>\$ 3,487,100</u>

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

The District administers a single-employer defined healthcare plan (the Retiree Health Plan). The plan provides health, dental, vision and life insurance benefits to District employees and retirees. Medical insurance is provided through CalPERS and the District offers the following plans: Kasier HMO, Blue Shield Access+ HMO, Anthem Select HMO, Anthem Traditional HMO, Health Net Salud Y Mas HMO, Health Net SmartCare HMO, United Health Care HMO, PERS Choice PPO, PERS Select PPO, and PERS Care PPO. Dental insurance is provided through Delta Dental of California; vision insurance is provided through VSP; and group term life insurance is provided through Hartford.

As of June 30, 2018, the District’s total liability for post-employment healthcare benefits consisted of the following:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefits Plan	\$ 30,417,932	\$ 4,651,439	\$ 12,053	\$ 3,233,897

The details of the plan are as follows:

Plan Description and Eligibility

Retirees with at least 10 years of service may retire at age 55 and receive a District contribution equal to \$1,035 for certificated employees and \$1,151 for classified employees. District paid benefits end at age 65. Part-time Classified employees who work at least 30 hours per week prior to retirement receive full benefits as described above. Classified unit members who work at least 20 hours per week, and all part-time Certificated members, receive a pro-rata share of the District contribution. Benefit provisions are established through negotiations between the District

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

and the bargaining unions representing employees and are renegotiated annually. The Retiree Health Plan does not issue a separate financial report.

Membership in the health benefit plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	145
Active employees	2,027
Total	2,172

Funding Policy

The contribution requirements of the Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. The District contributes up to the maximum of \$12,420 for certificated employees and \$13,807 for classified employees per year to eligible retirees as applicable. For fiscal year ended 2018, the District contributed \$4,651,439 to the plan, which includes an implicit rate subsidy.

Net OPEB Liability

Net OPEB Liability	Balance June 30, 2018
Total OPEB liability	\$ 35,919,429
Plan fiduciary net position	5,501,497
Net OPEB liability	\$ 30,417,932

Plan fiduciary net position as a percentage of the total OPEB liability	15.32%
-------------------------------------------------------------------------	--------

At June 30, 2018, the District reported a deferred inflow of resources of \$12,052 related to the net difference between projected and actual earnings on OPEB plan investments. This deferred inflow is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

This amount will be amortized to OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2019	\$ (3,013)
2020	(3,013)
2021	(3,013)
2022	(3,013)
	<u>\$ (12,052)</u>

Plan Investments

The District participates in the California Employers' Retiree Benefit Trust (CERBT) Defined Benefit Agent Multiple Employer Other Postemployment Benefits Plan administered by the California Public Employee's Retirement System (CalPERS). CERBT consists of participating employers of the State of California and public agencies. CalPERS is governed by the Board of Administration (the Board), which consists of 13 members; two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of the plan.

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by participating employers. CERBT is reported as an OPEB trust fund within the CalPERS Comprehensive Annual Financial Report and also issues a separate Schedule of Changes in Fiduciary Net Position by Employer that is prepared in accordance with accounting principles generally accepted in the United States of America.

The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Strategy 1 Plan, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2018, are listed below:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

Asset Class	Strategic Asset Allocation Ranges
Global equity	57.00%
Fixed income	27.00%
Securities	5.00%
Real estate	8.00%
Commodities	3.00%

Market conditions may cause the account’s asset allocation to vary from the stated range from time to time. The investment manager (assisting the District) will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

For the year ended on the measurement date the annual money-weighted rate of return on investments, net of investment expense, was 6.59 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Actuarial Methods and Assumptions

The total OPEB liability was determined by applying update procedures to an actuarial valuation as of February 1, 2017 and rolling forward to total OPEB liability to June 30, 2017. The following actuarial assumptions used in the February 1, 2017 valuation, applied to all periods included in the measurement, unless otherwise specified:

Valuation Data	February 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age, Level Percent of Pay
Discount Rate	6.0%
Salary Increases	3.0%
Healthcare Costs Trend Rate	6.0%
Retiree’s Share of Costs	Retirees pay the balance of the premium after District contribution (limited to \$1,151 per annum)

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The assumptions were based on plan experience during the period February 1, 2015 to January 31, 2017.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

Discount Rate

The discount rate used to measure the OPEB liability was 6%. This is the single, blended rate that reflects the long-term rate of return on OPEB plan investments to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return. Based on the most recent crossover test, the plan's fiduciary net position was determined to be sufficient to make the projected benefits payments. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6%.

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2017	\$ 34,414,897	\$ 2,749,835	\$ 31,665,062
Changes for the year:			
Service cost	1,400,274	-	1,400,274
Interest	2,008,596	-	2,008,596
Employer contributions	-	4,468,974	(4,468,974)
Net investment income	-	189,251	(189,251)
Benefit payments	(1,904,338)	(1,904,338)	-
Trustee fees and administrative expense	-	(2,225)	2,225
Net changes	<u>1,504,532</u>	<u>2,751,662</u>	<u>(1,247,130)</u>
Balances at June 30, 2018	<u>\$ 35,919,429</u>	<u>\$ 5,501,497</u>	<u>\$ 30,417,932</u>

The following presents the District's OPEB liability calculated using the discount rate of 6 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5 percent) or 1 percentage-point higher (7 percent) than the current rate:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

<u>Discount rate</u>	<u>Net OPEB Liability</u>
1% decrease (5.00%)	\$ 33,047,437
Current discount rate (6.00%)	30,417,932
1% increase (7.00%)	27,950,623

The following presents the District’s OPEB liability calculated using the healthcare cost trend rate of 6.00 percent, as well as what the OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage-point lower (5.00 percent) or 1 percentage-point higher (7.00 percent) than the current rate:

<u>Healthcare trend rate</u>	<u>Net OPEB Liability</u>
1% decrease (5.0% decreasing to 4.0%)	\$ 34,460,319
Current healthcare trend rate (6.0% decreasing to 5.0%)	30,417,932
1% increase (7.0% decreasing to 6.0%)	26,919,151

Changes of Assumptions

The February 1, 2017 actuarial valuation included changes to the discount rate, medical trend rate and actuarial cost method to align with the requirements of GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following changes were made:

<u>Assumptions:</u>	<u>As of February 1, 2015</u>	<u>As of February 1, 2017</u>
Investment Rate of Return	4.00%	6.00%
Medical Trend Rate	5.00%	6.00%
Actuarial cost method	Projected Unit Credit	Entry-age Normal

OPEB Expense

For the year ended June 30, 2018, the District’s actuarially determined OPEB expense is \$3,323,897.

NOTE 14: EMPLOYEE RETIREMENT PLANS

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

As of June 30, 2018, the District’s net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 212,704,000	\$ 70,172,872	\$ 9,902,922	\$ 24,332,471
CalPERS (Schools Pool Plan)	76,201,465	24,280,345	2,022,645	12,799,754
Total	\$ 288,905,465	\$ 94,453,217	\$ 11,925,567	\$ 37,132,225

The details of each plan are as follows:

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members’ final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were \$17,434,079.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance
Proportionate Share of Net Pension Liability	June 30, 2018
District proportionate share of net pension liability	\$ 212,704,000
State's proportionate share of the net pension liability associated with the District	125,834,915
Total	<u>\$ 338,538,915</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.2300%.

For the year ended June 30, 2018, the District recognized pension expense of \$24,332,471. In

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

addition, the District recognized revenue and corresponding expense of \$12,666,492 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,434,079	\$ -
Differences between expected and actual experience	786,600	3,709,900
Changes of assumptions	39,405,900	-
Changes in proportion	12,546,293	528,122
Net differences between projected and actual earnings on pension plan investments	-	5,664,900
Total	<u>\$ 70,172,872</u>	<u>\$ 9,902,922</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	Amortization
2019	\$ 4,082,849
2020	12,355,949
2021	9,306,150
2022	3,759,319
2023	6,414,498
2024	6,917,106
Total	<u>\$ 42,835,871</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 312,317,000
Current discount rate (7.10%)	212,704,000
1% increase (8.10%)	131,861,300

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were \$6,748,836.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$76,201,465. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.3192%.

For the year ended June 30, 2018, the District recognized pension expense of \$12,799,754. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,748,836	\$ -
Differences between expected and actual experience	2,729,984	-
Changes of assumptions	11,130,423	897,178
Changes in proportion	1,035,053	1,125,467
Net differences between projected and actual earnings on pension plan investments	2,636,049	-
Total	\$ 24,280,345	\$ 2,022,645

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2019	\$ 4,045,599
2020	7,317,634
2021	5,589,131
2022	(1,443,500)
Total	\$ 15,508,864

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 14: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. . The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 112,116,773
Current discount rate (7.15%)	76,201,465
1% increase (8.15%)	46,406,709

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 15: JOINT POWERS AGREEMENTS

The District participates in three joint powers agreement (JPA) entities, the Schools Excess Liability Funds (SELF), the Protected Insurance Programs for Schools (PIPS) and the Southern California Regional Liability Excess Fund (SoCalReLiEF).

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 15: JOINT POWERS AGREEMENTS

beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2018 is as follows:

<u>JPA Condensed Financial Information</u>	SELF (Audited) June 30, 2017	PIPS (Audited) June 30, 2017	SoCal ReLiEF (Audited) June 30, 2018
Total assets	\$ 126,580,131	\$ 129,260,118	\$ 69,369,330
Total liabilities	104,151,104	111,815,654	83,524,421
Total revenues	14,352,055	300,784,657	52,719,235
Total expenditures	13,457,649	296,996,362	5,493,600

NOTE 16: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPAL

The beginning net position of the basic financial statements has been restated by a net reduction of \$19,923,479 in the statement of activities to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 17: ADJUSTMENT FOR RECLASSIFICATION

The beginning balance of the Nutrition Services Fund was adjusted by (\$408,338) to reflect the reclassification of the fund from a full accrual, enterprise fund to a modified accrual, special revenue fund. The adjustment consisted of:

Nutrition Services Enterprise Fund - Ending balance 6/30/17 as full accrual	\$ 20,198,625
Adjustments for items not reported under modified accrual	
Depreciable assets, net	(4,103,358)
Net pension liability	4,709,220
Deferred inflows of resources - pensions	340,920
Deferred outflows of resources - pensions	(1,355,120)
Net adjustment	<u>(408,338)</u>
Reclassified beginning fund balance for Nutrition Services Fund as modified accrual, governmental fund	<u>\$ 19,790,287</u>

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 18: DEFICIT FUND BALANCE – FRISBE MIDDLE SCHOOL ASB

The Frisbe Middle School ASB ended the 6/30/18 fiscal year with a deficit fund balance of \$9,300. See finding 2018-001.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

County School Facilities Funds

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling \$11.7 million. Projects will be funded through Bond Proceeds, State Facilities Grants, Capital Facilities Funds, and General Funds.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND For the Fiscal Year Ended June 30, 2018

	Budgetary Amounts - General			Actual Amounts	
	Fund		General Fund	Deferred Maintenance	
	Original	Final		Fund	Total
Revenues					
Local control funding formula sources:					
State apportionments	\$ 241,544,948	\$ 241,544,948	\$ 228,317,639	\$ -	\$ 228,317,639
Local sources	11,882,099	12,511,260	25,674,876	-	25,674,876
Total local control funding formula sources:	253,427,047	254,056,208	253,992,515	-	253,992,515
Federal sources	15,423,175	19,458,061	17,871,192	-	17,871,192
Other state sources	23,052,967	28,775,751	27,842,790	1,500,000	29,342,790
Other local sources	8,353,897	11,373,933	12,708,375	15,353	12,723,728
Total Revenues	<u>300,257,086</u>	<u>313,663,953</u>	<u>312,414,872</u>	<u>1,515,353</u>	<u>313,930,225</u>
Expenditures					
Certificated salaries	126,074,144	125,834,649	124,691,041	-	124,691,041
Classified salaries	41,669,479	41,627,969	40,981,349	-	40,981,349
Employee benefits	77,891,368	77,745,365	76,777,056	-	76,777,056
Books and supplies	12,877,302	12,077,514	14,697,239	-	14,697,239
Services and other operating expenditures	34,972,920	43,521,430	33,384,138	-	33,384,138
Capital outlay	16,440,780	10,193,503	8,234,866	2,402,070	10,636,936
Other outgo	88,221	932,451	1,169,432	-	1,169,432
Total Expenditures	<u>310,014,214</u>	<u>311,932,881</u>	<u>299,935,121</u>	<u>2,402,070</u>	<u>302,337,191</u>
Excess (deficiency) of revenues over expenditures	<u>(9,757,128)</u>	<u>1,731,072</u>	<u>12,479,751</u>	<u>(886,717)</u>	<u>11,593,034</u>
Other Financing Uses					
Interfund transfers in	-	-	47,940	1,146,410	1,194,350
Interfund transfers out	(2,812,447)	(4,422,984)	(5,388,298)	-	(5,388,298)
Total Other Financing Uses	<u>(2,812,447)</u>	<u>(4,422,984)</u>	<u>(5,340,358)</u>	<u>1,146,410</u>	<u>(4,193,948)</u>
Net change in fund balances	<u>\$ (12,569,575)</u>	<u>\$ (2,691,912)</u>	7,139,393	259,693	7,399,086
Fund Balance - Beginning of Year			<u>64,520,300</u>	-	<u>64,520,300</u>
Fund Balance - End of Year			<u>\$ 71,659,693</u>	<u>\$ 259,693</u>	<u>\$ 71,919,386</u>

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018**

Total OPEB Liability - Postemployment Medical Benefits Plan	2018
Service Cost	\$ 1,400,274
Interest	2,008,596
Benefit Payments	<u>(1,904,338)</u>
Net Change in Total OPEB Liability	1,504,532
Total OPEB Liability - beginning	<u>34,414,897</u>
Total OPEB Liability - ending (a)	<u><u>\$ 35,919,429</u></u>
Plan Fiduciary Net Position - Postemployment Medical Benefits Plan	
	2018
Contributions - Employer	\$ 4,468,974
Net investment income	189,251
Benefit payments	(1,904,338)
Trustee fees and administrative expense	<u>(2,225)</u>
Net Change in Plan Fiduciary Net Position	2,751,662
Plan Fiduciary Net Position - beginning	<u>2,749,835</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 5,501,497</u></u>
 Net OPEB Liability (Asset) - ending (a) - (b)	 <u><u>\$ 30,417,932</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 15.32%
 Covered-employee payroll	 \$ 170,599,989
 Net OPEB liability (asset) as a percentage of covered-employee payroll	 17.83%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018**

OPEB Contributions	2018
Actuarially Determined Contribution (ADC)	\$ 3,081,579
Contributions in relation to the ADC	<u>(4,651,439)</u>
Contribution deficiency (excess)	<u>\$ (1,602,402)</u>
District's covered-employee payroll	\$ 171,697,971
Contributions as a percentage of covered-employee payroll	2.60%

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2018**

Year	Annual money-weighted rate of return, net of investment expense
2018	6.59%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018**

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (assets)	0.2020%	0.2290%	0.2280%	0.2300%
District's proportionate share of the net pension liability (asset)	\$ 118,042,470	\$ 154,171,960	\$ 184,408,680	\$ 212,704,000
State's proportionate share of the net pension liability (asset) associated with the District	71,280,019	81,539,753	104,996,028	125,834,915
Total	<u>\$ 189,322,489</u>	<u>\$ 235,711,713</u>	<u>\$ 289,404,708</u>	<u>\$ 338,538,915</u>
District's covered payroll	\$100 Million	\$103 Million	\$117 Million	\$121 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	118.04%	149.68%	157.88%	176.23%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.00%	69.00%
<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (assets)	0.3270%	0.3249%	0.3108%	0.3192%
District's proportionate share of the net pension liability (asset)	<u>\$ 37,122,462</u>	<u>\$ 47,890,581</u>	<u>\$ 61,383,192</u>	<u>\$ 76,201,465</u>
District's covered payroll	\$34 Million	\$36 Million	\$39 Million	\$42 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	109.00%	133.69%	158.00%	184.00%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%	72.00%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	\$ 9,293,881	\$ 12,530,465	\$ 15,178,376	\$ 17,439,079
Contributions in relation to the contractually required contribution	9,293,881	12,530,465	15,178,376	17,439,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$106 Million	\$117 Million	\$121 Million	\$121 Million
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%
California Public Employees' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	\$ 4,216,681	\$ 4,599,351	\$ 5,770,703	\$ 6,748,836
Contributions in relation to the contractually required contribution	4,216,681	4,599,351	5,770,703	6,748,836
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$36 Million	\$39 Million	\$42 Million	\$44 Million
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund and Major Special Revenue Fund(s)

A budgetary comparison is presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Changes in the Net OPEB Liability

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Changes in Benefit terms and Assumptions used:

Benefit changes – No change.

Changes of Assumptions:

- o Increased the discount rate from 4.0% to 6.0% to reflect the long-term rate of return on OPEB plan investments.
- o Health care trend rate increased from 5% to 6% to better reflect increased medical costs.
- o Actuarial cost method was changed from projected unit credit to entry-age normal to align with the requirements of GASB 75.

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of February 1, 2017.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Discount Rate	6%
Salary Increases	3%

Mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection for the valuations.

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were excesses of expenditures over appropriations in the General Fund:

Books and Supplies	\$1,821,383
Other Outgo	145,434

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2018

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Joseph W. Martinez	President	November 30, 2020
Edgar Montes	Vice President	November 30, 2018
Nancy G. O'Kelley	Clerk	November 30, 2020
Joseph Ayala	Member	November 30, 2020
Dina Walker	Member	November 30, 2018

DISTRICT ADMINISTRATORS

Dr. Cuauhtémoc Avila	Superintendent
Mohammad Z. Islam	Associate Superintendent, Business Services
Kelly Bruce	Lead Innovation Agent
Diane Romo	Lead Fiscal Services Agent

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2018**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2018 are as follows:

	Revised Second Period	Annual
Grades Transitional Kindergarten through third:		
Regular ADA	7,242	7,224
Extended year special education	5	9
Special education - nonpublic, nonsectarian schools	1	1
Total grades transitional kindergarten through third ADA	7,248	7,234
Grades four through six:		
Regular ADA	5,814	5,793
Extended year special education	2	5
Special education - nonpublic, nonsectarian schools	6	5
Total grades four through six ADA	5,822	5,803
Grades seven and eight:		
Regular ADA	3,934	3,906
Extended year special education	1	2
Special education - nonpublic, nonsectarian schools	8	7
Total grades seven and eight ADA	3,943	3,915
Grades nine through twelve:		
Regular ADA	7,513	7,421
Extended year special education	6	5
Special education - nonpublic, nonsectarian schools	27	29
Extended year special education - nonpublic, nonsectarian schools	1	2
Total grades nine through twelve ADA	7,547	7,457
Total ADA	24,560	24,409

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2018**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	36,180	180	In Compliance
Grade 1	50,400	50,902	180	In Compliance
Grade 2	50,400	50,902	180	In Compliance
Grade 3	50,400	50,902	180	In Compliance
Grade 4	54,000	54,220	180	In Compliance
Grade 5	54,000	54,220	180	In Compliance
Grade 6	54,000	62,457	180	In Compliance
Grade 7	54,000	62,457	180	In Compliance
Grade 8	54,000	62,457	180	In Compliance
Grade 9	64,800	65,465	180	In Compliance
Grade 10	64,800	65,465	180	In Compliance
Grade 11	64,800	65,465	180	In Compliance
Grade 12	64,800	65,465	180	In Compliance

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018**

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	\$10,070,007
Especially Needy Breakfast Program	10.553	13526	202,151
Meal Supplements	10.553	(1)	2,887,555
Summer Food Service Program	10.559	13396	286,768
Fresh Fruit and Vegetable Program	10.582	14968	67,701
Commodities	10.555	13396	1,108,031
Subtotal: Child Nutrition Cluster			<u>14,622,213</u>
Forest Reserve Funds	10.665	10044	23,762
Total U.S. Department of Agriculture			<u>14,645,975</u>
United States Department of Education			
Pass-Through Program From California Department of Education:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	9,420,903
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	966,444
Title III, Immigrant Education Program	84.365	15299	36,590
Title III, Limited English Proficient Student Program	84.365	14346	906,326
Subtotal Title III			<u>942,916</u>
Special Education Cluster:			
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	5,022
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	987
IDEA Preschool Staff Development, Part B, Age 3-4-5	84.173	13430	113,511
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	4,051,332
IDEA Preschool Local Entitlement	84.027A	13682	309,070
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	4,334
IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	288,240
Subtotal: Special Education Cluster			<u>4,772,496</u>
Carl D. Perkins Career and Technical Education, Secondary	84.048	14894	227,760
Pass-Through Programs from California State University, San Bernardino:			
California State Gear Up Program	84.334A	10088	-
Total: United States Department of Education			<u>16,330,519</u>

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018**

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
United States Department of Defense			
Pass-Through Program From California Department of Education:			
Junior Reserve Officers' Training Corps	12.000	(1)	<u>626,945</u>
Total U.S. Department of Defense			<u>626,945</u>
United States Department of Health and Human Services			
Pass-Through Program From California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	<u>643,912</u>
Total U.S. Department of Health and Human Services			<u>643,912</u>
Total Federal Programs			<u><u>\$32,247,351</u></u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$32,247,351
Expenditures in excess of revenues related to Federal Entitlements:			
Medi-Cal Billing Option			(1,326)
Junior Reserve Officers' Training Corps			(416,402)
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal Administrative Activities (MAA)			<u>663,782</u>
Total Federal Program Revenue			<u><u>\$32,493,405</u></u>

(1) Pass-Through Entity Identifying Number was not available.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

	<u>2019 (Budgeted)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total revenues	\$ 327,852,512	\$ 313,930,225	\$ 308,818,156	\$ 294,297,459
Total expenditures	334,855,049	302,337,192	293,434,442	272,785,848
Total other sources and uses	<u>(2,222,047)</u>	<u>(4,193,947)</u>	<u>(4,119,606)</u>	<u>(3,994,272)</u>
Change in fund balance	(9,224,584)	7,399,086	11,264,108	17,517,339
Ending fund balance	<u>\$ 62,435,109</u>	<u>\$ 71,919,386</u>	<u>\$ 64,520,300</u>	<u>\$ 53,256,192</u>
Available reserve	<u>\$ 18,374,635</u>	<u>\$ 37,888,243</u>	<u>\$ 12,188,996</u>	<u>\$ 11,065,568</u>
Available reserve %	5%	13%	4%	4%
ADA	<u>24,252</u>	<u>24,560</u>	<u>24,761</u>	<u>25,030</u>
Total long term debt	<u>\$ 449,153,943</u>	<u>\$ 460,881,530</u>	<u>\$ 378,538,928</u>	<u>\$ 338,975,889</u>

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

The 2019 budget is the original budget adopted on June 27, 2018.

For a District this size, the state recommends an available reserve at 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2018, the District has met this requirement.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2018**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

There were no differences between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has not met or exceeded its target funding and 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.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Financial Trends and Analysis

The 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Reporting requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2018

	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non- and Major Governmental Funds
<u>Assets</u>							
Cash in county treasury	\$ 549,359	\$ 337,139	\$ 8,067,636	\$ 1,527,444	\$ 7,563,602	\$ 10,964,992	\$ 29,010,172
Accounts receivable:							
Federal and state governments	158,564	545,817	-	-	-	-	704,381
Miscellaneous	-	3,190	250,466	5,991	49,706	-	309,353
Due from other funds	100,000	-	-	-	976,888	-	1,076,888
Prepaid expenses	-	-	9,450	-	-	-	9,450
Total Assets	<u>\$ 807,923</u>	<u>\$ 886,146</u>	<u>\$ 8,327,552</u>	<u>\$ 1,533,435</u>	<u>\$ 8,590,196</u>	<u>\$ 10,964,992</u>	<u>\$ 31,110,244</u>
<u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 95,166	\$ 406,191	\$ 61,131	\$ -	\$ 841,275	\$ -	\$ 1,403,763
Due to other funds	32,356	413,033	-	-	-	-	445,389
Total Liabilities	<u>127,522</u>	<u>819,224</u>	<u>61,131</u>	<u>-</u>	<u>841,275</u>	<u>-</u>	<u>1,849,152</u>
Fund Balances							
Nonspendable	-	-	9,450	-	-	-	9,450
Restricted	680,401	66,922	8,256,971	1,533,435	-	10,964,992	21,502,721
Assigned	-	-	-	-	7,748,921	-	7,748,921
Total Fund Balances	<u>680,401</u>	<u>66,922</u>	<u>8,266,421</u>	<u>1,533,435</u>	<u>7,748,921</u>	<u>10,964,992</u>	<u>29,261,092</u>
Total Liabilities and Fund Balances	<u>\$ 807,923</u>	<u>\$ 886,146</u>	<u>\$ 8,327,552</u>	<u>\$ 1,533,435</u>	<u>\$ 8,590,196</u>	<u>\$ 10,964,992</u>	<u>\$ 31,110,244</u>

See the accompanying notes to the Optional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018**

	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non- Major Governmental Funds
Revenues							
Other state sources	\$ 948,973	\$ 3,712,210	\$ -	\$ -	\$ -	\$ 89,419	\$ 4,750,602
Other local sources	8,120	79,897	2,698,106	18,896	172,938	8,917,145	11,895,102
Total Revenues	<u>957,093</u>	<u>3,792,107</u>	<u>2,698,106</u>	<u>18,896</u>	<u>172,938</u>	<u>9,006,564</u>	<u>16,645,704</u>
Expenditures							
Instruction	486,007	3,142,437	-	-	-	-	3,628,444
Instruction - related services	228,733	973,627	-	-	-	-	1,202,360
Pupil services	58,551	57,729	-	-	-	-	116,280
General administration	51,366	243,640	-	-	-	-	295,006
Plant services	188,547	368,896	163,678	-	8,955,233	-	9,676,354
Debt service	-	-	-	-	-	8,682,088	8,682,088
Total Expenditures	<u>1,013,204</u>	<u>4,786,329</u>	<u>163,678</u>	<u>-</u>	<u>8,955,233</u>	<u>8,682,088</u>	<u>23,600,532</u>
Excess (deficiency) of revenues over expenditures	<u>(56,111)</u>	<u>(994,222)</u>	<u>2,534,428</u>	<u>18,896</u>	<u>(8,782,295)</u>	<u>324,476</u>	<u>(6,954,828)</u>
Other Financing Sources							
Interfund transfers in	100,000	1,100,000	-	-	4,394,582	-	5,594,582
Interfund transfers out	-	(47,940)	(160,323)	-	(1,192,372)	-	(1,400,635)
Other Sources	-	-	-	-	11,500,000	462,818	11,962,818
Total Other Financing Sources	<u>100,000</u>	<u>1,052,060</u>	<u>(160,323)</u>	<u>-</u>	<u>14,702,210</u>	<u>462,818</u>	<u>16,156,765</u>
Net changes in fund balance	43,889	57,838	2,374,105	18,896	5,919,915	787,294	9,201,937
Fund Balances at Beginning of Year	<u>636,512</u>	<u>9,084</u>	<u>5,892,316</u>	<u>1,514,539</u>	<u>1,829,006</u>	<u>10,177,698</u>	<u>20,059,155</u>
Fund Balances at End of Year	<u>\$ 680,401</u>	<u>\$ 66,922</u>	<u>\$ 8,266,421</u>	<u>\$ 1,533,435</u>	<u>\$ 7,748,921</u>	<u>\$ 10,964,992</u>	<u>\$ 29,261,092</u>

See the accompanying notes to the Optional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT



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

Board of Education
Rialto Unified School District
Rialto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

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

material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

District’s Response to Findings

The District’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP
Glendora, California
December 6, 2018



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Education
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited Rialto Unified School District’s (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2018. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 District's internal control over compliance.

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

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

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Rialto Unified School District
Rialto, California

We have audited the Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No ¹
Mode of Instruction	No ¹
Nonclassroom Based Instruction/Independent Study	No ¹
Determination of Funding for Nonclassroom Based Instruction	No ¹
Annual Instructional Minutes – Classroom Based	No ¹
Charter School Facility Grant Program	No ¹

¹The District is not the granting agency for any Charter Schools

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.


Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, which are described in the accompanying schedule of findings and questions costs as items 2018-002 and 2018-003. Our opinion on state programs is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$962,951

Auditee qualified as low-risk auditee? Yes X No

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2018

Questioned Costs and Units: Not determined

Recommendation: It is recommended that management and the ASB implement closing and accounting procedures to ensure that the financial information is prepared in accordance with generally accepted accounting principles. Monitoring procedures should also be developed that include frequent oversight by District Office representatives. All balances and transactions should be supported with adequate documentation to provide for an audit trail. Schedules and source documentation to support the balances in individual accounts and transactions that occurred should be on file and readily available for internal use and audit purposes. District management should determine the cause of the net loss for 2017-18 and work with site administration to develop a plan to restore the deficit fund balance.

Management Response: The District has implemented several measures to ensure the Board adopted ASB policies are readily available and understood by all administrative and support staff. All site administration and ASB clerks received training from Fiscal Services and FCMAT. In addition to the FCMAT ASB manual, the District created its own ASB Manual to reflect the District's board policies and best practices. A new procedure was implemented to ensure that anyone handling cash in an ASB activity is properly trained in safeguarding funds. Individuals who monitor ASB activities were properly trained to review monthly financial reports and prevent misappropriation of ASB funds. Additional levels of oversight have been implemented to strengthen ASB internal controls.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2018.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS**

June 30, 2018

2018-002 School Accountability Report Card 72000

Criteria: The information on the School Accountability Report Card (SARC) should be reported consistent with the Facility Inspection Tool for that school, as required by the provisions of Education Code Section 33126.

Condition: The District reported information on the SARC that was inconsistent with the Facilities Inspection Tool (FIT) for one of the six schools selected. The error was noted on the SARC prepared for Zupanic Independent Study High School.

Context: Not applicable.

Effect: Information regarding the condition of Zupanic Independent Study High School for the 2016-17 school year was incorrectly reported on the SARC published during the 2017-18 school year, pursuant to Education Code Section 33126.

Cause: Unknown.

Questioned Costs and Units: Not applicable.

Recommendation: We recommend that FIT forms are kept on file to substantiate the condition of the District's facilities reported on the SARC to ensure they reconcile. Furthermore, the District should complete a comparison between the SARCs and FIT forms before final publication.

Management Response: The District established a procedure to reconcile all supporting documents for the SARC prior to approving the final version for publication.

2018-003 Instructional Materials Public Hearing Notice 70000

Criteria: According to Education Code Section 60119, a public hearing must be held on or before the end of the eighth week from the first day pupils attend school for that year.

Condition: During our testing of the state compliance requirement, it was noted that the first day of school was August 7, 2017 and the public hearing was held November 15, 2017. This is beyond the eighth week as required per above.

Effect: Not in compliance with Education Code 60119.

Cause: Unknown.

Questioned Costs: No questioned costs required.

RIALTO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS**

June 30, 2018

Recommendation: For future years, ensure that the public hearing is scheduled to be held within the first eight weeks of the school year.

Management Response: Sufficiency of Instructional Materials Board item is calendared within the first 8 weeks to ensure compliance. Compliance is being monitored by both the Education Services and Business Services offices. That is exemplified this year as the 2018/19 Board item was within the first 8 weeks of school.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2018

2017-001 Nutrition Services Internal Controls and Year-end Closing 30000

Criteria: California School Accounting Manual Procedure 305 allows a Cafeteria Fund to be accounted for using an enterprise fund type rather than a special revenue fund type. Because the District has elected to use an enterprise fund to record Cafeteria activity, the fund should be recorded in fund 61 in the district's county accounting system and the fund should use the accrual basis of accounting.

Condition: The nutrition services day to day transactions are recorded in eTriton at the Nutrition services office and monthly totals of revenue, expenses and cash are recorded in the county system monthly. At yearend balance sheet accounts were recorded for June 30, 2018 balances. The purchase clearing account in the Cafeteria's in-house financial system was not reconciled after the system was converted to a web based platform. The final balance of the account was recognized as an outstanding liability at year end causing an overstatement in accounts payable and expense. Additionally, entries were not completed to bring the fund to full accrual. Balances were not updated for the net pension liability, deferred inflows of resources, deferred outflows of resources, fixed assets and depreciation. This resulted in audit adjustments to the Cafeteria fund.

Effect: Audit adjustments were made to accounts payable, food expense, net pension liability and related deferred inflows and outflows of resources and fixed assets and related depreciation accounts.

Cause: There are no controls to prevent or mitigate errors that may arise during transitions to new programs. A detailed reconciliation process before and after the new in-house web- based financial system would have identified the discrepancy.

Questioned Costs: Net increase to fund balance of \$3,451,711.

Recommendation: Based on our understanding that the District plans to change the Cafeteria fund to a special revenue fund type in 2017-18, we recommend that the District utilize the County accounting system to record daily activity in the Cafeteria fund throughout the year. This will allow the transactions to become part of the established District internal controls and financial reporting and review process.

Current Status: Implemented