NEW ISSUES — BOOK-ENTRY ONLY **RATINGS: (See "MISCELLANEOUS — Ratings" herein.)**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds. See "TAX MATTERS" herein.

$26,932,186.85
RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2010, SERIES 2011A

$9,695,000
RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2010, SERIES 2011B
(FEDERALLY TAXABLE/QUALIFIED SCHOOL CONSTRUCTION BONDS)

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2011A (the "Series 2011A Bonds") and the Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds) (the "Series 2011B Bonds" and together with the Series 2011A Bonds, the "Series 2011 Bonds") are issued by the Rialto Unified School District (the "District") to finance and refinance specific construction, repair and improvement projects approved by the voters of the District and to pay costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District.

The Series 2011 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County of San Bernardino (the "County") is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal, accreted value or maturity value of and interest on the Series 2011 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS" herein.

The Series 2011A Bonds will be issued as capital appreciation bonds (the "Capital Appreciation Bonds") and capital appreciation bonds that convert to current interest bonds (the "Convertible Capital Appreciation Bonds") and the Series 2011B Bonds will be issued as current interest bonds, all as set forth on the inside front cover hereof. The Series 2011A Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2011.

The Series 2011A Bonds issued as Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their stated accreted value at the Conversion Date thereof payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Prior to the Conversion Date of a Convertible Capital Appreciation Bond, interest on such Convertible Capital Appreciation Bond will be compounded on each February 1 and August 1, commencing August 1, 2011. From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rates set forth on the inside front cover page of this Official Statement, payable on each February 1 and August 1 to maturity, commencing on the February 1 or August 1 immediately following such Conversion Date.

Interest on the Series 2011B Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2011. Principal of the Series 2011B Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2011 Bonds will be issued in denominations of $5,000 principal amounts, maturity value or accreted value at the Conversion Date thereof, as applicable, or any integral multiple thereof as shown on the inside front cover hereof.

A portion of the Series 2011B Bonds will be issued as "qualified school construction bonds" as defined in Section 54F of the Code and as "specified tax credit bonds" as defined in Section 6431(f)(3) of the Code. The District expects to receive a cash subsidy payment from the United States Treasury on the Series 2011B Bonds so designated as set forth herein. See "THE BONDS – Designation of Series 2011B Bonds as Qualified School Construction Bonds" herein.

Each series of the Series 2011 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for each series of the Series 2011 Bonds. Individual purchases of the Series 2011 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2011 Bonds purchased by them. See "THE SERIES 2011 BONDS – Form and Registration" herein. Payments of the principal, accreted value or maturity value of and interest on the Series 2011 Bonds will be made by U.S. Bank National Association, as paying agent, registrar and transfer agent, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Series 2011 Bonds. See "THE SERIES 2011 BONDS – Payment of Principal and Interest" herein.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the maturity value or accreted value at the Conversion Date, as applicable) and interest on all of the Series 2011A Bonds and the Series 2011B Bonds maturing on August 1, 2026 (collectively, the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.

The Series 2011 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2011 BONDS — Redemption" herein.

Each series of the Series 2011 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriters by their counsel, Nossaman, LLP, Irvine, California. It is anticipated that each series of the Series 2011 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about March 17, 2011.

Dated: March 3, 2011

MATURITY SCHEDULE

BASE CUSIP[1]: 762494

$26,932,186.85
SERIES 2011A BONDS

$10,043,816.60 Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number[1]
2026*	$ 696,014.25	12.000%	6.680%	$4,175,000	PQ9
2027*	155,046.65	12.000	6.770	1,045,000	PR7
2028*	369,740.00	12.000	6.860	2,800,000	PS5
2029*	534,173.85	12.000	6.950	4,545,000	PT3
2030*	1,218,402.00	7.320	7.030	4,905,000	PU0
2031*	1,270,800.25	7.110	7.110	5,275,000	PV8

$5,799,639.60 Initial Principal Amount of Term Capital Appreciation Bonds due August 1, 2036*
7.500% Accretion Rate – $37,560,000 Maturity Value – Reoffering Yield 7.500%
CUSIP Number[1] – PW6

$16,888,370.25 Convertible Capital Appreciation Bonds

$16,888,370.25 Initial Principal Amount of Term Convertible Capital Appreciation Bonds due August 1, 2041*
7.350% Accretion Rate to (but excluding) Conversion Date
August 1, 2026 Conversion Date - $51,225,000 Stated Accreted Value at Conversion Date
7.350% Interest Rate from and after Conversion Date
Reoffering Yield 7.350% – CUSIP Number[1] – PX4

$9,695,000
SERIES 2011B BONDS

$295,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number
2026*	$295,000	6.911%	6.911%	QA3

$1,810,000 5.280% Term Bonds due August 1, 2021 − Yield 6.061% CUSIP Number[1] – PY2

$7,590,000 5.280% Term Bonds due August 1, 2025 − Yield 6.661% CUSIP Number[1] – PZ9

* Insured by ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE FOR INSURED BONDS" herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2011 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2011 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2011 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2011 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE FOR INSURED BONDS" and in Appendix I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2011 BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)

BOARD OF EDUCATION

Michael G. Ridgway, *President*
Joanne T. Gilbert, *Vice President*
Joseph Ayala, *Clerk*
Edgar Montes, *Member*
Joseph W. Martinez, *Member*

DISTRICT ADMINISTRATORS

Harold L. Cebrun Sr., Ph.D., *Superintendent*
James S. Wallace, Ph.D., *Deputy Superintendent/Chief of Staff*
Phil Urabe, Ed.D., *Interim Assistant Superintendent, Business Services*
Felix Avila, *Assistant Superintendent, Personnel Services*
Jasmin Valenzuela, *Assistant Superintendent, Educational Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Underwriters

Piper Jaffray & Co.
San Francisco, California

Stone & Youngberg LLC
Los Angeles, California

Underwriters' Counsel

Nossaman, LLP
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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$26,932,186.85 **RIALTO UNIFIED SCHOOL DISTRICT** **(COUNTY OF SAN BERNARDINO, CALIFORNIA)** **GENERAL OBLIGATION BONDS,** **ELECTION OF 2010, SERIES 2011A**	**$9,695,000** **RIALTO UNIFIED SCHOOL DISTRICT** **(COUNTY OF SAN BERNARDINO, CALIFORNIA)** **GENERAL OBLIGATION BONDS,** **ELECTION OF 2010, SERIES 2011B** **(FEDERALLY TAXABLE/QUALIFIED** **SCHOOL CONSTRUCTION BONDS)**

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of (i) $26,932,186.85 aggregate initial principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2011A (the “Series 2011A Bonds”), consisting of capital appreciation bonds (“Capital Appreciation Bonds”) and capital appreciation bonds that convert to current interest bonds (“Convertible Capital Appreciation Bonds”), and (ii) $9,695,000 aggregate principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds) (the “Series 2011B Bonds” and together with the Series 2011A Bonds, the “Series 2011 Bonds”), consisting of current interest bonds (the “Current Interest Bonds”), all as indicated on the inside front cover hereof, to be offered by the Rialto Unified School District (the “District”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure.”

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2011 Bonds. Quotations from and summaries and explanations of the Series 2011 Bonds, the resolution of the Board of Education of the District providing for the issuance of each series of the Series 2011 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2011 Bonds.

Copies of documents referred to herein and information concerning the Series 2011 Bonds are available from the District by contacting: Rialto Unified School District, 183 East Walnut Avenue, Rialto, California 92376, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was founded in 1891 and has operated as a unified school district since 1964. The District provides preschool, elementary and secondary educational services to residents of an area of the County of San Bernardino (the “County”) encompassing approximately fifty-five square miles that includes the City of Rialto, the western portion of the City of San Bernardino, small segments of the cities of Colton and Fontana and some unincorporated County territory.

The District currently operates 19 elementary schools, five middle schools, three comprehensive high schools, one continuation high school, one alternative high school, one adult school, and a preschool and infant program. Enrollment currently stands at approximately 27,075 students. For additional information about the District, see APPENDIX A − “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET.”

Bond Insurance for Insured Bonds

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) will issue its municipal bond insurance policy (the “Insurance Policy”) for all of the Series 2011A Bonds and the Series 2011B Bonds maturing on August 1, 2026 (collectively, the “Insured Bonds”). The Insurance Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the Maturity Value or Accreted Value at the Conversion Date, as applicable) and interest on the Insured Bonds when due as set forth in the form of the Insurance Policy included as Appendix I to this Official Statement. See “MUNICIPAL BOND INSURANCE FOR INSURED BONDS.”

THE SERIES 2011 BONDS

Authority for Issuance; Purpose

Each series of the Series 2011 Bonds is issued under the provisions of Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including applicable provisions of the California Education Code and Article XIIIA of the California Constitution. The Series 2011 Bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on January 19, 2011 (the “District Resolution”).

At an election held on November 2, 2010, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $98,000,000 to finance specific school facility construction, repair and improvement projects (the “2010 Authorization”). The measure required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 69.52%. The Series 2011 Bonds represent the first and second series of the authorized bonds to be issued under the 2010 Authorization and will be issued to finance and/or refinance authorized projects.

A portion of the Series 2011A Bonds will be used to refund the District’s (i) Rialto Unified School District 1997 Refunding Certificates of Participation, maturing on September 1 in years 2011 through 2013, inclusive, years 2021 through 2023, inclusive, and year 2027 (the “Refunded 1997 Prior Certificates”); and (ii) Rialto Unified School District Certificates of Participation (2006 Capital Project), maturing on September 1 in years 2011 through 2013, inclusive, and years 2030 and 2031 (the “Refunded 2006 Prior Certificates” and, together with the Refunded 1997 Prior Certificates, the “Refunded Prior Certificates”). The refinancing of the Refunded Prior Certificates constitutes an authorized project under the 2010 Authorization. The District and U.S. Bank National Association, as escrow bank (the “Escrow Bank”) will enter into a separate escrow agreement with respect to each series of the Refunded Prior Certificates, pursuant to which the District will deposit a portion of the proceeds from the sale of the Series 2011A Bonds into a special fund to be held by the Escrow Bank. The amount deposited with the Escrow Bank with respect to the series of Refunded Prior Certificates will be used to purchase certain United States governmental obligations, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the principal of and interest evidenced by such series of Refunded Prior Certificates to the first optional redemption date (September 1, 2012, with respect to the Refunded 1997 Prior Certificates, and September 1, 2011, with respect to the Refunded 2006 Prior Certificates) and to prepay such series of Refunded Prior Certificates at a redemption price equal to the principal amount of such Refunded Prior Certificates to be prepaid on such prepayment date in accordance with the schedule set forth in the Escrow Agreement.

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal and interest to retire the Refunded Prior Certificates will be verified by Causey, Demgen & Moore Inc., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriters. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

Form and Registration

Each series of the Series 2011 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount, maturity value or accreted value at their Conversion Date, as applicable, or integral multiples thereof. Each series of the Series 2011 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as security depository of the Series 2011 Bonds. Purchases of Series 2011 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2011 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2011 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2011A Bonds will be issued as Capital Appreciation Bonds and Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof. The Series 2011B Bonds will be issued as Current Interest Bonds as set forth on the inside cover hereof.

Interest; Capital Appreciation Bonds. The Series 2011A Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of 12 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof ("Maturity Value"), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually February 1 and August 1 of each year (each, an "Interest Date") (with straight-line interpolations between Interest Dates), commencing August 1, 2011.

Interest; Convertible Capital Appreciation Bonds. The Series 2011A Bonds issued as Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its stated accreted value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on August 1, 2011.

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the February 1 or August 1 immediately following such Conversion Date, computed using a year of 360 days, comprising twelve 30-day months. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Interest; Current Interest Bonds. The Series 2011B Bonds (which are issued as Current Interest Bonds) will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on August 1, 2011, computed using a year of 360 days, comprising twelve 30-day months. Each Series 2011B Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2011B Bond, interest is in default on any outstanding Series 2011B Bonds, such Series 2011B Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Series 2011 Bonds.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Value or Convertible Capital Appreciation Bond's stated accreted value at the Conversion Date thereof is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion Date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriters have prepared the Tables of Accreted Values shown in Appendices G and H hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity and the value per $5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof.

Payment of Series 2011 Bonds. The principal and accreted value of the Series 2011 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the paying agent at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds and the Convertible Capital Appreciation Bonds after the Conversion Date is payable in lawful money of the United States of America by check mailed on each Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the paying agent or at such address as the Owner may have filed with the paying agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Current Interest Bonds or Capital Appreciation Bonds after the Conversion Date who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2011 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Designation of Series 2011B Bonds as Qualified School Construction Bonds

The Series 2011B Bonds maturing on August 1, 2021 and August 1, 2025 will be issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986 (the "Code") and as "specified tax credit bonds" as defined in Section 6431(f)(3) of the Code. The District expects to receive a cash subsidy payment (the "Subsidy") from the United States Treasury (the "Treasury") on the Series 2011B Bonds so designated equal to the lesser of (i) 100% of the tax credit rate posted by the Internal Revenue Service and applicable to the Series 2011B Bonds so designated or (ii) the interest due on such Series 2011B Bonds on each Interest Date on or about each Interest Date for the Series 2011B Bonds. The Subsidy does not constitute a full faith and credit guarantee of the United States with respect to the Series 2011B Bonds so designated, but is required to be paid by the Treasury under the Code. Any Subsidy payments received by the District are required to be deposited into the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"). The County is obligated to make all payments of principal and interest on the Series 2011B Bonds whether or not such Subsidy payments are received and deposited in the Interest and Sinking Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS – General." The District makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Subsidy by the Treasury which may affect the amount or receipt of Subsidy payments.

Section 54F of the Code requires that the proceeds of qualified school construction bonds, such as the Series 2011B Bonds, be applied solely to the construction, rehabilitation or repair of a public school facility, or the acquisition of land on which such a facility is to be constructed and to payment of costs of issuance not in excess of 2% of the issue price of said bonds. Internal Revenue Service Notice 2009-35, released April 3, 2009, provided that bond proceeds may also be expended for "costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired" with the proceeds of the related qualified school construction bonds. Thus, expenditure of the proceeds of the Series 2011B Bonds will subject to both the limitations of the 2010 Authorization and of Section 54F of the Code.

The California Department of Education allocated a portion of the State's allocation of qualified school construction bonds to the District (the "Allocation") in the amount of $9,400,000. The principal amount of the Series 2011B Bonds designated as qualified school construction bonds under the Code will be deducted from the Allocation. The District expects to expend the proceeds of sale of the Series 2011B Bonds designated as qualified school construction bonds within twenty-four months after the date of their delivery.

Redemption

Optional Redemption of Series 2011A Bonds. The Series 2011A Bonds issued as Capital Appreciation Bonds are not subject to redemption prior to their respective stated maturity dates.

The Series 2011A Bonds issued as Convertible Capital Appreciation Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2036, at a redemption price equal to the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bonds called for redemption, together with interest accrued thereon from the last Interest Date for which interest has been paid to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2011A Bonds. The $5,799,639.60 Series 2011A Bonds issued as Capital Appreciation Bonds maturing on August 1, 2036, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Accreted Value Amounts to be Redeemed
2032	$5,664,888.45
2033	6,069,626.00
2034	6,494,601.75
2035	6,935,059.65
2036†	7,395,000.00

† Maturity.

The accreted value amounts to be redeemed to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000 of Maturity Value, by any portion of such term Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $16,888,370.25 Series 2011A Bonds issued as Convertible Capital Appreciation Bonds maturing on August 1, 2041, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon, if any, from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Stated Accreted Value Amounts to be Redeemed
2037	$ 7,875,000.00
2038	8,955,000.00
2039	10,135,000.00
2040	11,425,000.00
2041†	12,835,000.00

† Maturity.

The stated accreted value amounts at the Conversion Date thereof to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Convertible Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Optional Redemption of Series 2011B Bonds. The Series 2011B Bonds maturing on and after August 1, 2022, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2021, at a redemption price equal to the principal amount of the Series 2011B Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Excess Proceeds Extraordinary Mandatory Redemption . The Series 2011B Bonds maturing on or before August 1, 2025 are subject to extraordinary mandatory redemption, in whole or in part, on May 1, 2014, or, in the event of an extension negotiated with the Internal Revenue Service, on any date that occurs between May 1, 2014 and May 1, 2015, at a redemption price equal to the principal amount of the Series 2011B Bonds called for redemption (in an amount equal to the unexpended proceeds of the sale of the Series 2011B Bonds designated as qualified school construction bonds held by the District), together with interest accrued thereon to the date of redemption, without premium, but only to the extent that the District fails to expend all of the proceeds of the Series 2011B Bonds designated as qualified school construction bonds within three years of issuance thereof plus any extension of the period for expenditure that has been granted by the Internal Revenue Service.

Optional Extraordinary Redemption Upon Occurrence of Tax Law Change. The Series 2011B Bonds maturing on or before August 1, 2025 are subject to redemption prior to their respective stated maturity dates, at the option of the District upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part on any date, at a redemption price equal to the greater of: (a) the original issue price (but not less than 100%) of such principal amount of the Series 2011B Bonds to be redeemed; or (b) the principal amount thereof plus the Make-Whole Premium, together, in each case, with accrued interest, if any, to the date fixed for redemption.

"Tax Law Change" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the District, would be to suspend, reduce or terminate the timely payment from the United States Treasury to the District with respect to the portion of the Series 2011B Bonds designated as qualified school construction bonds, or to state or local government issuers generally with respect to obligations of the general character of such portion of the Series 2011B Bonds so designated, pursuant to Sections 54A, 54F, 54AA or 6431 of the Code of an amount determined separately for each maturity of such Series 2011B Bonds at least equal to the lesser of (i) 100% of the tax credit rate posted by the Internal Revenue Service and applicable to such Series 2011B Bonds or (ii) the interest due on such Series 2011B Bonds on each Interest Date (the "Subsidy Payments"); provided, that any such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the District to comply with the requirements under the Code to receive such Subsidy Payments.

"Make-Whole Premium" means, with respect to any Series 2011B Bond to be redeemed, an amount calculated by an Independent Banking Institution equal to the positive difference, if any, between:

(a) the sum of the present values, calculated as of the date fixed for redemption of:

(i) each interest payment that, but for the redemption, would have been payable on the Series 2011B Bond or portion thereof being redeemed on each regularly scheduled Interest Date occurring after the date fixed for redemption through the maturity date of such Series 2011B Bond (excluding any accrued interest for the period prior to the date fixed for redemption); plus

(ii) the principal amount that, but for such redemption, would have been payable on the maturity date (or applicable mandatory sinking fund redemption date or dates) of the Series 2011B Bond or portion thereof being redeemed; minus

(b) the principal amount of the Series 2011B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus 100 basis points.

"Independent Banking Institution" means an investment banking institution of national standing which is a primary United States government securities dealer designated by the District (which may be the Underwriter).

"Comparable Treasury Yield" means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2011B Bond being redeemed. The Comparable Treasury Yield will be determined as of any Business Day that falls not less than three Business Days nor more than 45 calendar days immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2011B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2011B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2011B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) at the Comparable Treasury Price as of the date fixed for redemption.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the principal office of the Paying Agent is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2011B Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on any Business Day that falls not less than three Business Days nor more than 45 calendar days immediately preceding the applicable date fixed for redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2011B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2011B Bond being redeemed.

Mandatory Sinking Fund Redemption of Series 2011B Bonds. The $1,810,000.00 term Series 2011B Bonds maturing on August 1, 2021, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2019	$280,000
2020	595,000
2021†	935,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Series 2011B Bonds redeemed prior to the mandatory sinking fund redemption date pursuant to the optional, extraordinary optional or extraordinary mandatory redemption provisions described above for the Series 2011B Bonds.

The $7,590,000.00 term Series 2011B Bonds maturing on August 1, 2025, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2022	$1,300,000
2023	1,675,000
2024	2,090,000
2025†	2,525,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Series 2011B Bonds redeemed prior to the mandatory sinking fund redemption date pursuant to the optional, extraordinary optional or extraordinary mandatory redemption provisions described above for the Series 2011B Bonds.

Selection of Series 2011 Bonds for Redemption. If less than all of the Series 2011 Bonds of a series are called for redemption, Series 2011 Bonds of such series shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2011 Bonds of any one maturity of a series are designated for redemption, the paying agent shall select the outstanding Series 2011 Bonds of such maturity and series to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Series 2011 Bond shall be deemed to consist of individual Series 2011 Bonds of denominations of $5,000 principal amount, Maturity Value or accreted value at the Conversion Date thereof, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2011 Bond will be given by the paying agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2011 Bonds and the date of issue of the Series 2011 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the series of Series 2011 Bonds and the dates of maturity or maturities of Series 2011 Bonds to be redeemed; (vi) if less than all of the Series 2011 Bonds of a series of any maturity are to be redeemed, the distinctive numbers of the Series 2011 Bonds of each maturity of such series to be redeemed; (vii) in the case of Series 2011 Bonds of a series redeemed in part only, the respective portions of the principal amount of the Series 2011 Bonds of each maturity of such series to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2011 Bonds of a series to be redeemed; (ix) a statement that such Series 2011 Bonds must be surrendered by the Owners at the principal corporate trust office of the paying agent, or at such other place or places designated by the paying agent; (x) notice that further interest on such Series 2011 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2011 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2011 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2011 Bonds called for redemption is set aside, the Series 2011 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2011 Bonds at the place specified in the notice of redemption, such Series 2011 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2011 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2011 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the Interest and Sinking Fund of the District within the County treasury or the trust fund established for such purpose. All Series 2011 Bonds redeemed shall be cancelled forthwith by the paying agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2011 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2011 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2011 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2011 Bonds

The District may pay and discharge any or all of any series of the Series 2011 Bonds by depositing in trust with the paying agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2011 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the paying agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Series 2011 Bonds and remaining unclaimed for two years after the principal of all of such series of Series 2011 Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2011 Bond Proceeds

General. The proceeds from the sale of the Series 2011 Bonds, to the extent of the principal amount thereof (other than amounts used to refund the Refunded Prior Certificates and amounts the District directs to be deposited in the Interest and Sinking Fund), will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2011 Bonds were authorized. Any net premium or accrued interest received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the Treasurer and Tax Collector of the County (the "County Treasurer") in the Building Fund are expected to be invested on behalf of the District by the County Treasurer in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of the County. See APPENDIX E − "SUMMARY OF COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of each series of the Series 2011 Bonds are expected to be applied as follows:

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds, Election of 2010, Series 2011A
and
General Obligation Bonds, Election of 2010, Series 2011B
(Federally Taxable/Qualified School Construction Bonds)

Estimated Sources and Uses of Funds

Sources of Funds:	Series 2011A Bonds	Series 2011B Bonds	Total
Par Amount of Series 2011 Bonds	$26,932,186.85	$9,695,000.00	$36,627,186.85
Plus Net Original Issue Premium/Less Original Issue Discount	2,347,592.40	(1,068,488.00)	1,279,104.40
Total Sources of Funds	$29,279,779.25	$8,626,512.00	$37,906,291.25
Uses of Funds:			
Deposit to Building Fund	$20,544,747.30	$8,195,638.33	$28,740,385.63
Costs of Issuance[(1)]	1,030,944.40	144,543.82	1,175,488.22
Escrow Deposits[(2)]	7,455,927.55	-	7,455,927.55
Deposit to Interest and Sinking Fund[(3)]	248,160.00	286,329.85	534,489.85
Total Uses of Funds	$29,279,779.25	$8,626,512.00	$37,906,291.25

(1) Includes underwriters' discount, legal fees, rating agency fees, bond insurance premium, if any, printing fees and other miscellaneous expenses.
(2) To be used to refund the Refunded 1997 Prior Certificates and the Refunded 2006 Prior Certificates. See "−Authority for Issuance; Purpose" above.
(3) Consists of net premium received by the District

Debt Service

Debt service on each series of the Series 2011 Bonds, assuming no early redemptions, is as shown in the following tables.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds, Election of 2010, Series 2011A and General Obligation Bonds, Election of 2010 , Series 2011B

	Series 2011A Bonds				**Series 2011B Bonds**		
	Capital Appreciation Bonds		Convertible Capital Appreciation Bonds		Current Interest Bonds		
Period Ending August 1,	Principal	Interest Paid at Maturity	Principal	Interest including Interest Paid at Maturity	Principal	Interest	Total Debt Service
2011	$ -	$ -	$ -	$ -	$ -	$192,329.99	$ 192,329.99
2012	-	-	-	-	-	516,707.46	516,707.46
2013	-	-	-	-	-	516,707.46	516,707.46
2014	-	-	-	-	-	516,707.46	516,707.46
2015	-	-	-	-	-	516,707.46	516,707.46
2016	-	-	-	-	-	516,707.46	516,707.46
2017	-	-	-	-	-	516,707.46	516,707.46
2018	-	-	-	-	-	516,707.46	516,707.46
2019	-	-	-	-	280,000.00	516,707.46	796,707.46
2020	-	-	-	-	595,000.00	501,923.46	1,096,923.46
2021	-	-	-	-	935,000.00	470,507.46	1,405,507.46
2022	-	-	-	-	1,300,000.00	421,139.46	1,721,139.46
2023	-	-	-	-	1,675,000.00	352,499.46	2,027,499.46
2024	-	-	-	-	2,090,000.00	264,059.46	2,354,059.46
2025	-	-	-	-	2,525,000.00	153,707.46	2,678,707.46
2026	696,014.25	3,478,985.75	-	-	295,000.00	20,387.46	4,490,387.46
2027	155,046.65	889,953.35	-	3,765,037.50	-	-	4,810,037.50
2028	369,740.00	2,430,260.00	-	3,765,037.50	-	-	6,565,037.50
2029	534,173.85	4,010,826.15	-	3,765,037.50	-	-	8,310,037.50
2030	1,218,402.00	3,686,598.00	-	3,765,037.50	-	-	8,670,037.50
2031	1,270,800.25	4,004,199.75	-	3,765,037.50	-	-	9,040,037.50
2032	1,174,288.05	4,490,600.40	-	3,765,037.50	-	-	9,429,925.95
2033	1,168,883.70	4,900,742.30	-	3,765,037.50	-	-	9,834,663.50
2034	1,161,935.25	5,332,666.50	-	3,765,037.50	-	-	10,259,639.25
2035	1,152,670.65	5,782,389.00	-	3,765,037.50	-	-	10,700,097.15
2036	1,141,861.95	6,253,138.05	-	3,765,037.50	-	-	11,160,037.50
2037	-	-	2,596,308.75	9,043,728.75	-	-	11,640,037.50
2038	-	-	2,952,373.95	9,188,851.05	-	-	12,141,225.00
2039	-	-	3,341,408.15	9,321,624.35	-	-	12,663,032.50
2040	-	-	3,766,708.25	9,441,401.75	-	-	13,208,110.00
2041	-	-	4,231,571.15	9,546,801.35	-	-	13,778,372.50
	$10,043,816.60	$45,260,359.25	$16,888,370.25	$84,192,782.25	$9,695,000.00	$6,510,213.89	$172,590,542.24

Outstanding Bonds

In addition to the Series 2011 Bonds, the District has three additional outstanding series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. On September 14, 1999, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $60,000,000 (the "1999 Authorization"). A portion of the approved bonds were issued on June 1, 2000 in the initial principal amount of $19,995,038 (the "Series 2000A Bonds"). On February 4, 2003, the District sold $20,000,000 of general obligation bonds (the "Series 2003B Bonds") as the District's second series under the 1999 Authorization, and on May 19, 2004, the District sold $20,000,000 of general obligation bonds (the "Series 2004C Bonds") as the District's third and final series under the 1999 Authorization. A summary of the District's general obligation bonded debt is as follows.

Aggregate Debt Service

Debt service on each series of the District's outstanding bonds, assuming no early redemptions, is as shown in the following table.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds - Aggregate Debt Service

Period Ending August 1,	Series 2000A Bonds	Series 2003B Bonds	Series 2004C Bonds	Series 2011A Bonds	Series 2011B Bonds	Aggregate Total Debt Service
2011	$1,659,687.50	$1,023,845.00	$1,062,937.50	$ -	$ 192,329.99	$ 3,938,799.99
2012	1,662,812.50	1,384,590.00	1,479,875.00	-	516,707.46	5,043,984.96
2013	1,661,128.65	1,384,090.00	1,475,875.00	-	516,707.46	5,037,801.11
2014	1,660,783.65	1,386,595.00	1,470,375.00	-	516,707.46	5,034,461.11
2015	1,661,840.10	1,392,195.00	1,475,775.00	-	516,707.46	5,046,517.56
2016	1,660,774.40	1,394,855.00	1,468,225.00	-	516,707.46	5,040,561.86
2017	1,662,018.75	1,400,642.50	1,463,825.00	-	516,707.46	5,043,193.71
2018	1,661,729.85	1,403,673.76	1,462,512.50	-	516,707.46	5,044,623.57
2019	1,660,000.00	1,409,733.76	1,454,262.50	-	796,707.46	5,320,703.72
2020	1,662,184.80	1,412,883.76	1,449,262.50	-	1,096,923.46	5,621,254.52
2021	1,661,941.25	1,412,790.00	1,442,262.50	-	1,405,507.46	5,922,501.21
2022	1,659,141.75	1,414,850.00	1,433,262.50	-	1,721,139.46	6,228,393.71
2023	1,662,578.00	1,419,025.00	1,432,262.50	-	2,027,499.46	6,541,364.96
2024	1,659,806.00	1,420,587.50	1,423,762.50	-	2,354,059.46	6,858,215.46
2025	1,660,000.00	1,419,537.50	1,418,012.50	-	2,678,707.46	7,176,257.46
2026		1,420,875.00	1,414,762.50	4,175,000.00	315,387.46	7,326,024.96
2027		1,419,362.50	1,408,762.50	4,810,037.50	-	7,638,162.50
2028			1,403,418.76	6,565,037.50	-	7,968,456.26
2029				8,310,037.50	-	8,310,037.50
2030				8,670,037.50	-	8,670,037.50
2031				9,040,037.50	-	9,040,037.50
2032				9,429,925.95	-	9,429,925.95
2033				9,834,663.50	-	9,834,663.50
2034				10,259,639.25	-	10,259,639.25
2035				10,700,097.15	-	10,700,097.15
2036				11,160,037.50	-	11,160,037.50
2037				11,640,037.50	-	11,640,037.50
2038				12,141,225.00	-	12,141,225.00
2039				12,663,032.50	-	12,663,032.50
2040				13,208,110.00	-	13,208,110.00
2041				13,778,372.50	-	13,778,372.50
Total:	$24,916,427.20	$23,520,131.28	$25,639,431.26	$156,385,328.35	$16,205,213.89	$246,666,531.98

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on each series of the Series 2011 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series 2011B Bonds maturing on August 1, 2021 and August 1, 2025 will be issued as "qualified school construction bonds" as defined in Section 54F of the Code and as "specified tax credit bonds" as defined in Section 6431(f)(3) of the Code. The District expects to receive a cash Subsidy from the Treasury on the Series 2011B Bonds so designated as set forth herein. See "THE BONDS – Designation of Series 2011B Bonds as Qualified School Construction Bonds." The Subsidy does not constitute a full faith and credit guarantee of the United States with respect to the Series 2011B Bonds so designated, but is required to be paid by the Treasury under the Code. Any Subsidy payments received by the District are required to be deposited into the Interest and Sinking Fund of the District within the County treasury. The County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District for the payment of principal of and interest on the Series 2011 Bonds whether or not such Subsidy payments are received and deposited in the Interest and Sinking Fund. As a result, the levy of *ad valorem* property taxes will only take into account amounts actually received from the Treasury and deposited in the Interest and Sinking Fund. The District makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Subsidy by the Treasury which may affect the amount or receipt of Subsidy payments.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2010-11 assessed value of $5,505,584,582. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below under the heading, State-Assessed Property.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area.

Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Assessed Valuations
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment[1]	Total After Redevelopment Increment
2006-07	$5,348,163,842	$5,139,270	$276,168,125	$5,629,471,237	$4,427,883,738
2007-08	6,205,358,181	3,004,092	351,921,526	6,560,283,799	4,895,894,300
2008-09	6,250,762,989	3,002,209	384,352,229	6,638,117,427	4,809,478,551
2009-10	5,470,937,654	3,776,982	404,898,150	5,879,612,786	4,062,127,086
2010-11	5,116,956,930	3,789,700	384,837,952	5,505,584,582	3,850,416,824

[1] Special (voter-approved) *ad valorem* property taxes collected for payment of debt service on school district bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area.
Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the Assessor, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2010-11 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $137.6 million and its net bonding capacity is approximately $94.2 million (taking into account current outstanding debt before issuance of the Series 2011 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the 2010-11 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Assessed Valuation and Parcels by Land Use

Non-Residential:	2010-11 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Commercial	$352,939,368	6.90%	429	1.46%
Professional Office	62,947,125	1.23	69	0.23
Industrial	648,340,382	12.67	212	0.72
Recreational	9,803,370	0.19	17	0.06
Government/Social/Institutional	11,943,907	0.23	63	0.21
Miscellaneous	10,487,259	0.20	119	0.40
Subtotal Non-Residential	$1,096,461,411	21.43%	909	3.09%
Residential:				
Single Family Residence	$3,201,480,654	62.57%	22,748	77.31%
Condominium/Townhouse	105,632,541	2.06	814	2.77
Mobile Home	71,375,805	1.39	2,321	7.89
Mobile Home Park	70,202,479	1.37	121	0.41
2-4 Residential Units	105,287,187	2.06	490	1.67
5+ Residential Units/Apartments	150,499,292	2.94	101	0.34
Miscellaneous Residential Improvements	1,031,823	0.02	23	0.08
Subtotal Residential	$3,705,509,781	72.42%	26,618	90.46%
Vacant Parcels	$314,985,738	6.16%	1,897	6.45%
TOTAL	$5,116,956,930	100.00%	29,424	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2010–11.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Assessed Valuation of Single Family Homes

Per Parcel 2010-11 Assessed Valuation of Single Family Homes

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	22,748	$3,201,480,654	$140,737	$139,145

2010-11 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	90	0.396%	0.396%	$ 1,708,223	0.053%	0.053%
$25,000 - $49,999	1,273	5.596	5.992	49,393,569	1.543	1.596
$50,000 - $74,999	1,299	5.710	11.702	81,161,735	2.535	4.131
$75,000 - $99,999	2,012	8.845	20.547	180,462,796	5.637	9.768
$100,000 - $124,999	4,018	17.663	38.210	454,523,782	14.197	23.965
$125,000 - $149,999	4,742	20.846	59.056	651,383,514	20.346	44.312
$150,000 - $174,999	3,615	15.892	74.947	584,363,157	18.253	62.565
$175,000 - $199,999	2,642	11.614	86.561	493,729,961	15.422	77.987
$200,000 - $224,999	1,718	7.552	94.114	362,256,341	11.315	89.302
$225,000 - $249,999	797	3.504	97.617	187,611,348	5.860	95.162
$250,000 - $274,999	317	1.394	99.011	82,567,277	2.579	97.741
$275,000 - $299,999	111	0.488	99.499	31,573,725	0.986	98.727
$300,000 - $324,999	50	0.220	99.719	15,539,643	0.485	99.213
$325,000 - $349,999	26	0.114	99.833	8,678,377	0.271	99.484
$350,000 - $374,999	17	0.075	99.908	6,147,240	0.192	99.676
$375,000 - $399,999	4	0.018	99.925	1,542,531	0.048	99.724
$400,000 - $424,999	4	0.018	99.943	1,658,309	0.052	99.776
$425,000 - $449,999	3	0.013	99.956	1,282,231	0.040	99.816
$450,000 - $474,999	2	0.009	99.965	926,969	0.029	99.845
$475,000 - $499,999	1	0.004	99.969	498,687	0.016	99.860
$500,000 and greater	7	0.031	100.000	4,471,239	0.140	100.000
Total	22,748	100.000%		$3,201,480,654	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2010-11 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Largest 2010-11 Local Secured Taxpayers

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	Percent of Total[1]
1.	Target Corporation	Industrial	$169,885,302	3.32%
2.	Prologis Califórnia	Industrial	114,080,000	2.23
3.	Rialto Realty Holding Co. II & III Inc.	Industrial	53,400,000	1.04
4.	Lennar Lytle LLC	Undeveloped	39,412,138	0.77
5.	Giraffe Properties LLC	Industrial	37,457,713	0.73
6.	PRP Investors-Fontana LLC	Office Building	30,428,744	0.59
7.	AMB Property LP	Industrial	24,500,000	0.48
8.	OMP Rialto I LLC	Industrial	23,413,346	0.46
9.	My Montecito III	Apartments	22,889,381	0.45
10.	Staples the Office Superstore Inc.	Industrial	22,253,151	0.43
11.	Wal-mart Realty Company	Commercial	20,019,145	0.39
12.	Bbrands (Multi) QRS 16-137 Inc.	Industrial	18,924,555	0.37
13.	San Diego National Bank	Undeveloped	17,535,328	0.34
14.	Oakmont Rialto Olive Grove LLC	Undeveloped	16,420,083	0.32
15.	Shoppes at Creekside LLC	Commercial	15,894,401	0.31
16.	Burlingame Industries Inc.	Industrial	13,058,533	0.26
17.	EMS Family LP	Commercial	12,477,037	0.24
18.	Rialto Properties I	Commercial	12,455,678	0.24
19.	UPS Ground Freight Inc.	Undeveloped	11,958,805	0.23
20.	East Hills Rialto LLC	Commercial	11,852,790	0.23
			$688,316,130	13.45%

[1] 2010-11 Local Secured Assessed Valuation: $5,116,956,930
Source: California Municipal Statistics, Inc.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2011 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2011 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2011 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 158-036) over the five year period from 2006-07 through 2010-11. This Tax Rate Area comprises approximately 18.20% of the total assessed value of the District.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 158-036)
Fiscal Years 2006-2007 Through 2010-11

	2006-07	2007-08	2008-09	2009-10	2010-11
General	$1.0000	1.0000	1.0000	1.0000	$1.0000
Rialto Unified School District	.0674	.0536	.0587	.0659	.0788
San Bernardino Community College District	.0195	.0127	.0393	.0280	.0467
San Bernardino Valley Municipal Water	.1550	.1650	.1650	.1650	.1650
Total	$1.2419	$1.2313	$1.2630	$1.2589	$1.2905

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2011 Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the November 2, 2010 election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2011 Bonds, the District projects that the maximum tax rate required to repay the Series 2011 Bonds and all other outstanding bonds approved at the November 2, 2010 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2011 Bonds in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2011 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The County does not provide information with respect to the real property tax charges and delinquencies for property within the District. See "− Teeter Plan" below.

Teeter Plan. The County has adopted the Teeter Plan, as provided in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The Teeter Plan was effective beginning in fiscal year 1996-97 for the County. The County's Teeter Plan applies to the District and to the Series 2011 Bonds.

The *ad valorem* property tax levied to pay the interest on and principal of the bonds of the District is subject to the Teeter Plan. So long as the Teeter Plan is in effect, the District will receive 100% of the *ad valorem* property tax levied to pay its bonds irrespective of actual delinquencies in the collection of the tax by the County.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective December 1, 2010 for debt issued as of November 22, 2010. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement Of Direct And Overlapping Bonded Debt
As of November 22, 2010

2010-11 Assessed Valuation:	$ 5,505,584,582
Redevelopment Incremental Valuation:	1,655,167,758
Adjusted Assessed Valuation:	$3,850,416,824

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/1/10
Metropolitan Water District	0.0002%	$ 510
San Bernardino Community College District	10.465	45,106,215
Rialto Unified School District	100.000	43,360,038[2]
City of Colton Community Facilities Districts	100.000	3,196,446
City of Fontana Community Facilities District No. 4	100.000	200,000
City of Rialto Community Facilities District	100.000	9,405,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$101,268,209
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	3.427%	$ 23,671,660
San Bernardino County Pension Obligations	3.427	20,622,507
San Bernardino County Flood Control District General Fund Obligations	3.427	3,821,448
Rialto Unified School District Certificates of Participation	100.000	13,895,000
City of Colton General Fund and Pension Obligations	18.232	7,652,773
City of Fontana Certificates of Participation	0.076	41,298
City of Rialto Certificates of Participation	83.011	2,585,793
City of San Bernardino General Fund Obligations	8.313	1,876,660
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$74,167,139
COMBINED TOTAL DEBT		$175,435,348[3]

(1) Based on 2009-10 ratios.
(2) Excludes Series 2011 Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($43,360,038) 0.79%
Total Direct and Overlapping Tax and Assessment Debt 1.84%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($57,255,038).. 1.49%
Combined Total Debt.. 4.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

MUNICIPAL BOND INSURANCE FOR INSURED BONDS

The following information has been furnished by the Insurer for use in this Official Statement, and the District takes no responsibility for the accuracy or completeness thereof. Reference is made to APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of the Insurance Policy (as defined below).

The Insurance Policy

Concurrently with the issuance of the Series 2011 Bonds, AGM will issue the Insurance Policy for the Insured Bonds. The Insurance Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the Maturity Value or Accreted Value at the Conversion Date, as applicable) and interest on the Insured Bonds when due as set forth in the form of the Insurance Policy included as Appendix I to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at **www.standardandpoors.com**, for the complete text of S&P's comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at **www.standardandpoors.com**, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at **www.moodys.com**, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

Capitalization of AGM. At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,578,146,678 and its total net unearned premium reserve was approximately $2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2011 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at **http://www.sec.gov**, at AGL's website at **http://www.assuredguaranty.com**, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE FOR INSURED BONDS – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE FOR INSURED BONDS."

TAX MATTERS

Series 2011A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel if of the further opinion that interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C – "PROPOSED FORM OF OPINION OF BOND COUNSEL."

To the extent the issue price of any maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such Series 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2011A Bonds is the first price at which a substantial amount of such maturity of the Series 2011A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A Bonds accrues daily over the term to maturity of such Series 2011A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011A Bonds. Beneficial Owners of the Series 2011A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A Bonds is sold to the public.

Series 2011A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2011A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from State income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011A Bonds ends with the issuance of the Series 2011A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2011A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011A Bonds, and may cause the District or Beneficial Owners to incur significant expense.

Series 2011B Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2011B Bonds is exempt from State of California personal income taxes. Interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond

Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2011B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2011B Bonds that acquire their Series 2011B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2011B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2011B Bonds pursuant to this offering for the issue price that is applicable to such Series 2011B Bonds (i.e., the price at which a substantial amount of the Series 2011B Bonds are sold to the public) and who will hold their Series 2011B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2011B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2011B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2011B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2011B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2011B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders.

The Series 2011B Bonds may be issued with original issue discount ("OID"). For such bonds, in general, the excess of the stated redemption price at maturity of a Series 2011B Bond over its issue price will constitute OID for U.S. federal income tax purposes. The stated redemption price at maturity of a Series 2011B Bond is the sum of all scheduled amounts payable on the Series 2011B Bond (other than qualified stated interest). U.S. Holders of Series 2011B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2011B Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2011B Bonds.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the District) or other disposition of a Series 2011B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2011B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2011B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2011B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2011B Bond, increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond and decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2011B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2011B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders.

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2011B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Series 2011B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2011B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2011B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2011B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2011B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2011B Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2011B Bond, to certain noncorporate holders of Series 2011B Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2011B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2011B Bond or a financial institution holding the Series 2011B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2011B Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Series 2011B Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2011B Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2011B Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230.

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the District and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

OTHER LEGAL MATTERS

Legal Opinion

The validity of each series of the Series 2011 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to each series of the Series 2011 Bonds at the time of issuance of such series substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District

Legality for Investment in California

Under provisions of the California Financial Code, the Series 2011 Bonds are legal investments for commercial banks in California to the extent that the Series 2011 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of each series of the Series 2011 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2010-11 fiscal year (which is due no later than April 1, 2012) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of Notice Events.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2011 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2011 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2011 Bonds or District or County officials who will sign certifications relating to the Series 2011 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriters at the time of the original delivery of the Series 2011 Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services ("S&P") have assigned their respective ratings of "A1" and "A" to each series of the Series 2011 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Series 2011 Bonds There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2011 Bonds. Neither the Underwriters nor the District have undertaken any responsibility after the offering of the Series 2011 Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

In addition, Moody's and S&P are expected assign their respective ratings of "Aa3" (negative outlook and "AA+" (stable outlook), respectively, to the Insured Bonds with the understanding that, upon delivery of the Insured Bonds, the Insurance Policy will be delivered by the Insurer. See "MUNICIPAL BOND INSURANCE FOR INSURED BONDS." Such ratings are expected to be assigned solely as a result of the issuance of the Insurance Policy and will reflect only the rating agencies' views of the claims-paying ability and financial strength of the Insurer. Neither the District nor the Underwriters have made any independent investigation of the claims-paying ability of the Insurer and no representation is made that any insured rating of the Insured Bonds based upon the purchase of the Insurance Policy will remain higher than the same rating agency's underlying rating of the Series 2011 Bonds described above, which did not take bond insurance into account. The existence of the Insurance Policy will not, of itself, negatively affect such underlying ratings. Without regard to any bond insurance, the Series 2011 Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal, Maturity Value or accreted value at the Conversion Date of, as applicable, and interest on the Series 2011 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS." However any downward revision or withdrawal of any rating of the Insurer may have an adverse effect on the market price or marketability of the Insured Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel with respect to each series of the Series 2011 Bonds, and will receive compensation from the District contingent upon the sale and delivery of each series of the Series 2011 Bonds.

Underwriting

The Series 2011 Bonds are being purchased for reoffering to the public by Piper Jaffray & Co., on behalf of itself and Stone & Youngberg LLC (the "Underwriters") pursuant to the terms of a bond purchase contract executed on March 3, 2011, by and between the Underwriters and the District (the "Purchase Contract"). The Underwriters have agreed to purchase the Series 2011 Bonds at a price of $36,825,205.05 (consisting of the aggregate principal amount thereof, $36,627,186.85, plus net original issue premium of $1,279,104.40, less underwriters' discount of $189,433.03, and less costs of issuance the Underwriters have agreed to pay on behalf of the District in the amount of $891,653.17). The Purchase Contract provides that the Underwriters will purchase all of the Series 2011 Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Series 2011 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

The District has duly authorized the delivery of this Official Statement.

RIALTO UNIFIED SCHOOL DISTRICT

By: /s/ Harold L. Cebrun Sr., Ph.D.
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Rialto Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2011 Bonds is payable from the General Fund of the District or from State revenues. Each series of the Series 2011 Bonds is payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on each series of the Series 2011 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was founded in 1891 and has operated as a unified school district since 1964. The District provides preschool, elementary and secondary educational services to residents of an area of the County encompassing approximately fifty-five square miles that include the City of Rialto, the western portion of the City of San Bernardino, small segments of the cities of Colton and Fontana and some unincorporated county territory.

The District currently operates 19 elementary schools, five middle schools, three comprehensive high schools, one continuation high school, one alternative high school, one adult school, and a preschool and infant program. Enrollment currently stands at approximately 27,075 students.

Board of Education

The governing board of the District is the Board of Education of the District (the "Board"). The Board consists of five members who are elected at large to four-year terms in alternate slates of two and three at elections held every two years. Each December the Board elects a President, Vice-President and Clerk to serve one-year terms. Current members of the Board, together with their office and the date their term expires, are listed below:

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)

Board of Education

Name	Office	Term Expires
Michael G. Ridgway	President	December 2012
Joanne T. Gilbert	Vice President	December 2014
Joseph Ayala	Clerk	December 2012
Edgar Montes	Member	December 2014
Joseph W. Martinez	Member	December 2012

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Dr. Harold L. Cebrun, Sr., Superintendent. Dr. Cebrun brings more than three decades of public education experience to the District. The former Superintendent of Schools from the Lynwood Unified School District attended the University of Nebraska on an athletic scholarship and earned a doctorate of philosophy in Counseling Psychology from Columbia Pacific University and his master's degree from Argosy University. He also completed his additional graduate school studies for his Life Credentials as a teacher and an administrator. Later, he was selected as the first African American to be employed by the California Interscholastic Federation (C.I.F.) since its inception in 1913.

During his 37 years in public education, Dr. Cebrun began his career as a substitute teacher and worked his way up to superintendent serving in the positions of elementary, junior high and high school teacher, high school counselor, assistant principal, principal, basketball and baseball coach and assistant football coach, activities and athletic director, director, assistant superintendent and superintendent. He also taught at Chapman and Argosy Universities.

James S. Wallace, Ph.D., Deputy Superintendent/Chief of Staff. Dr. Wallace began his educational work experience in East Los Angeles in a private school before entering the public school system. He has worked in the public school system for approximately 33 years and has had experience in positions ranging from substitute teacher, adult education teacher, elementary to high school teacher, school counselor, guidance advisor, secondary vice-principal and principal, to Deputy Superintendent. He has also served as Assistant Superintendent over student Services in the Lynwood Unified School District. During the first 28 years in the public school system, he taught in the evenings the various levels of English as a Second Language (SDL) and the CBET program.

Dr. Wallace attended Loma Linda University for his undergraduate work where he completed his Master's degree in Education. After completing his Master of Divinity degree from Andrews University in Michigan, he moved back to California and completed his Ph.D. from the Graduate Theological Union at Berkeley in the area of Semitic Linguistics. He also holds a doctorate degree in Ecclesiastical Administration, Masters in Marriage and Family Counseling, as well as two additional Maters Degrees in Educational Administration and Reading Specialist. He has written and published 21 books over the last 40 years.

Phil Urabe, Ed.D., Interim Superintendent, Business Services. Dr. Urabe began his career as a middle school teacher, a high school teacher, an assistant principal and athletic director, then later as an assistant superintendent and associate superintendent of business services. He has consulted in ten school districts, including the District, as Interim Superintendent, Business Services, where he is responsible for all business-related functions of the District. He has received a bachelor's degree in biology and physical education from California State University, Fresno, a master's degree in educational administration from Whittier College and a doctorate in policy, planning and administration and School Finance & Curriculum from the University of Southern California.

Felix Avila, Assistant Superintendent, Personnel Services. Mr. Avila's tenure in the District began at Casey Elementary School, a four track year round school, were he served as the Principal. After four years Mr. Avila was transferred to Kolb Middle School serving students in grades 6 through 8. In July of 2006 Mr. Avila was appointed as the Director of Personnel Services where he was the lead for all classified employees, lead negotiator and assisted with the recruitment of certificated staff. Mr. Avila was appointed to the position of Assistant Superintendent of Personnel Services beginning on July 1, 2010. Prior to working in the District Mr. Avila was a Social Studies teacher at Eagle Rock Jr./Sr. High and at South Gate Junior High in the Los Angeles Unified School District. Mr. Avila also worked for the Mt. Diablo Unified School District as a School Psychologist, a Middle School Administrator, an Elementary Assistant Principal and an Elementary Principal.

Mr. Avila has a Masters' degree in counseling from the California State University in Hayward and a Bachelors degree from the University of California, Berkeley in Social Welfare. Mr. Avila has a professional clear credential in Administrative Services credential, a Pupil Personnel Services Credential (specializing in School Psychology), and a single subject Social Science credential with a CLAD certificate.

Jasmin Valenzuela, Assistant Superintendent, Educational Services. Ms. Valenzuela began her career with the District as a teacher at George H. Dunn Elementary in 1994. She is fluent in Spanish and has served as a bilingual teacher, a mentor teacher, a full time Beginning Teacher Support and Assessment (BTSA) Support Provider, a Vice Principal/Elementary Administrator, a Principal and District Area Director. She graduated with honors receiving her Bachelor of Arts in Liberal Studies with a Bilingual/Cross-Cultural Emphasis, and a minor in Spanish, from California State University, San Bernardino in 1993, and honors in Master of Arts in Education with an emphasis in Curriculum and Instruction from Chapman University in Orange County, California, in June of 1995. As a District Area Director, she provided technical support to six district area schools ranging from elementary, middle and high school. Ms. Valenzuela was appointed as Assistant Superintendent of Educational Services of the District in May 2010. She has received awards and recognition including the San Bernardino Outstanding Contribution and Commitment to the Academic Excellence of English Learners in San Bernardino County.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 78% of its general fund revenues from State funds, budgeted at approximately $161.7 million in fiscal year 2010-11. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2010-11 Budget on October 8, 2010, the latest budget approval in State history.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth , and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the

Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 and 2009 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts. The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2011 Bonds, and the District takes no responsibility for informing owners of the Series 2011 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Robles-Wong, et al. v. State of California* ("*Robles-Wong*"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school funding of education is implemented in the State.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009 10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. The lawsuit was decided against the CRA on May 1, 2010. Redevelopment agencies had sued the State over this latter diversion. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2010-11 State Budget. The following information is adapted from a report on the adopted State budget prepared by the Legislative Analyst. The State's fiscal year 2010-11 budget projects $89 billion of resources available, and $86 billion of expenditures, with an ending general fund balance of $1.3 billion. To achieve balance, the state budget includes $7.8 billion in expenditure cuts, including a reduction of $1.8 billion in State employee payroll, benefit and related costs, primarily derived from future union agreements or other administrative actions, $450 million in savings from reduced general fund departmental hiring, and $130 million in savings from reduced departmental operating costs related to the workforce cap. The budget also assumes the State will receive $5.4 billion of new federal funding (most of which has yet to be approved by Congress), assumes $3.3 billion of increased revenue, including $1.4 billion in higher assumed baseline State revenues, and assumes the State will be authorized and able to make $2.7 billion of largely one-time loans, transfers and funding shifts.

The spending cuts described above include a $3.4 billion reduction in education costs due to suspension of the Proposition 98 minimum guarantee. Despite suspension of Proposition 98, ongoing Proposition 98 funding is budgeted to increase $115 million from the estimated fiscal year 2009-10 funding level to $49.7 billion, of which the State expects to contribute $36.2 billion, with local property taxes contributing $13.4 billion. However, had the Legislature not suspended Proposition 98, the estimated guaranteed amount would have been $53.8 billion.

The adopted 2010-11 State budget projects that fiscal year 2009-10 spending for education did not fully fund that year's minimum guaranteed amount, creating a new settle-up obligation estimated at $1.8 billion. The adopted 2010-11 State budget provides $300 million toward this obligation, which will be provided in the form of $90 million for annual education mandate costs, and $210 million for school districts' and community colleges' unpaid prior-year mandate claims, to be distributed on an equal per-student basis.

State Proposition 98 funding for K-12 schools is budgeted to be $32.2 billion, or about 1.9% higher than the $31.6 billion spent in 2009-10. Local property tax revenue, however, is expected to decline about 4.8% from the 2009-10 level of $12.1 billion to contribute $11.5 billion to K-12 schools in 2010-11. K-12 education is also slated to receive $1.5 billion in special one-time federal funding, $1.2 billion of which is from recent federal grants provided to help retain teaching jobs, and $272 million is from the last round of federal stabilization funding from the 2009 federal stimulus package.

The reliance on one-time solutions in fiscal year 2009-10 has resulted in the need for fiscal year 2010-11 reductions. These reductions are mostly treated as deferrals of payments rather than cuts. The adopted State budget defers $1.7 billion of funding from spring of 2011 to July of 2011 (the next fiscal year). Virtually all other K-12 reductions are technical adjustments designed to align appropriations with anticipated program costs, such as for the K-3 Class Size Reduction program.

Fiscal Year 2010-11 State Cash Management Legislation. On March 1, 2010 the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorizes deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permits deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. The Cash Management Bill also permits the State to move a planned deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provides that the deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. The Governor, in the 2011-12 Proposed State Budget, has proposed that similar legislation be enacted for fiscal year 2011-12. See "−Proposed 2011-12 State Budget" below. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and if a bill similar to the Cash Management Bill is enacted for fiscal year 2011-12, the District might find it necessary to increase the size or frequency of its cash flow borrowings in such fiscal year.

Proposed 2011-12 State Budget. The Governor released his proposed fiscal year 2011-12 State budget (the "2011-12 Proposed State Budget") on January 10, 2011. The 2011-12 Proposed State Budget projects that the State will face a budget gap of $25.4 billion in fiscal year 2011-12 as a result of a shortfall of $8.2 billion attributable to fiscal year 2010-11 and a shortfall of $17.2 billion attributable to fiscal year 2011-12. The 2011-12 Proposed State Budget provides that the 2010-11 State budget relied, in part, on unrealistic assumptions, including the receipt of $3.6 billion in federal funds and $1.7 billion in reductions that were not achieved, and indicates that $26.4 billion in cuts, taxes and other budget measures will be necessary to close the fiscal year 2011-12 budget gap and provide for a reserve of $1 billion.

The 2011-12 Proposed State Budget recognizes that fiscal year 2010-11 revenues are $3.1 billion lower than were projected at the time of approval of the 2010-11 State budget, in part due to the recently enacted federal tax relief, unemployment insurance reauthorization, and the Job Creation Act of 2010, as well as the passage of Proposition 22, which prohibits the use of certain transportation funds to pay for debt service or from being loaned to the General Fund, creating an additional budget shortfall of $1.6 billion. The 2011-12 Proposed State Budget also anticipates that other workload adjustments including population and caseload changes will add $2.1 billion to the budget gap. The 2011-12 Proposed State Budget reduces spending by $12.5 billion, including substantial cuts to most major programs, such as $1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services and $580 million to State operations and employee compensation. The 2011-12 Proposed State Budget proposes a total of $14 billion in new revenues.

The 2011-12 Proposed State Budget calls for an accelerated timeline to restore balance to the State's finances and assumes that all necessary statutory changes to implement budget measures will be adopted by the State Legislature and signed by the Governor by March of 2011 to allow certain ballot measures to be placed before the voters at a special election to be called for June 2011.

The 2011-12 Proposed State Budget includes some one-time savings and borrowing, including $1.8 billion in borrowing from special funds, $1.7 billion in property tax shifts, $1.0 billion from the Proposition 10 reserve to fund children's programs, and $0.9 billion from Proposition 63 moneys to fund community mental health services. $8.2 billion of the budget gap is expected to be one-time in nature.

The 2011-12 Proposed State Budget projects the State will have sufficient cash to repay the entire $10 billion of State revenue anticipation notes as scheduled in May and June 2011. However, absent corrective action, the State will face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to the current budget proposals, the State will need to obtain external financing early in the 2011-12 fiscal year. The Governor has proposed that legislation similar to the Cash Management Bill enacted for fiscal year 2010-11 be enacted for fiscal year 2011-12. See "−Fiscal Year 2010-11 State Cash Management Legislation" above. Such legislation made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11.

The 2011-12 Proposed State Budget plan includes $2.2 billion in new inter-year deferrals from 2011-12 to 2012-13, $2.1 billion of which will derive from K-12 revenue limit payments and $129 million from community colleges apportionment payments. Such deferrals are in addition to the $1.7 billion of deferrals that were part of the 2010-11 State budget.

The 2011-12 Proposed State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at the same level for fiscal year 2011-12 as is in effect for fiscal year 2010-11. In an effort to maintain funding for schools, fund public safety services at the local level and to balance the budget, the 2011-12 Proposed State Budget anticipates that current tax rates will be continued for another five years and also proposes to apply the single sales factor income allocation rules uniformly to certain corporate taxpayers and to eliminate an ineffective tax expenditure program. These proposals are expected to generate revenues of $12 billion. The Governor proposes to place a ballot measure before the voters in a special election to be held in June of 2011 calling for a constitutional measure to extend the four temporary tax increases adopted in February 2009. In the event the voters do not approve the extension of these tax increases, further reductions in spending could be made which would likely impact funding for K-12 education.

As it relates to K-12 education, the 2011-12 Proposed State Budget slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 ($49.3 billion) from fiscal year 2010 11 ($49.7 billion) and extends flexibility reforms (discussed below) adopted in 2009 to assist school districts to maintain their core services. Total funding for K-12 education is projected to be $63.8 billion in fiscal year 2011-12, $59.5 billion of which is State, federal and local property tax funding accounted for in the 2011-12 Proposed State Budget. Total per-pupil expenditures from all sources are projected to be $11,154 in fiscal year 2010-11 and $10,703 in fiscal year 2011-12, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2011-12 Proposed State Budget are $7,344 in 2011-12, down slightly from $7,358 per-pupil provided in fiscal year 2010-11.

Major workload adjustments for K-12 education included in the 2011-12 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2011-12 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2011-12. The projected COLA for 2011-12 is 1.67%, which would have provided an increase of $964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment.

- Property Tax. A decrease of $47.9 million for school district and county office of education revenue limits is made in fiscal year 2010-11 as a result of higher offsets of property tax revenues. An increase of $155.7 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of reduced offsets of local property tax revenues.

- Average Daily Attendance. An increase of $81.4 million in fiscal year 2010-11 for school district and county office of education revenue limits is made as a result of an increase in projected ADA and an increase of $357.5 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for fiscal year 2011-12.

- Unemployment Insurance. An increase of $351.8 million in fiscal year 2011-12 is made to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.

- K-14 Mandates Funding. Ongoing funding of $89.9 million is provided for K-14 mandates to provide level funding relative to fiscal year 2010-11, for reimbursement of state mandated local costs. Current law suspends for three additional years those programs that were suspended during fiscal year 2010-11.

Some significant non-General Fund workload adjustments are as follows:

- School Construction Program. The workload budget includes a $316 million decrease in fiscal year 2009-10 actual expenditures, a $2.07 billion increase in fiscal year 2010-11 estimated expenditures and a $1.97 billion decrease in fiscal year 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds. No proposal was made by the Governor to place a school construction bond on the ballot for the 2012 election cycle.

- Child Nutrition Program. An increase of $36.1 million in fiscal year 2011-12 to the State Department of Education ("SDE") local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies and an increase of $12.0 million in fiscal year 2011-12 to the SDE local assistance from federal funds for the

Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.

The 2011-12 Proposed State Budget also proposes to extend various flexibility options for school districts for two additional years. Specifically, it extends authority in the following areas:

- Categorical flexibility. For fiscal years 2008-09 through 2012-13, local educational agencies were given broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district's allocation for each program is based on its share of total program funding either in fiscal year 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs.

- Routine Maintenance Contributions. Local educational agencies were proposed to reduce the amount that districts must deposit into a restricted routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3% of General Fund expenditures to 1%.

- Deferred Maintenance Requirement. The requirement that districts set aside ½% of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

The complete 2011-12 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2011-12 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the Legislature, released its report on the 2010-11 Proposed State Budget entitled "2011-12 Budget: Overview of the Governor's Budget" on January 12, 2011 (the "2011-12 Budget Overview") in which the LAO agreed that the $25.4 billion State budget shortfall estimated in the 2011-12 Proposed State Budget was a reasonable estimate. In the 2011-12 Budget Overview, the LAO concurs with the Governor that the major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget measures, the expiration of various one-time and temporary budget measures approved in recent years, and the failure of the State to obtain significant additional federal funding for key programs. Generally, the 2011-12 Budget Overview recognizes that the 2011-12 Proposed State Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the 2011-12 Proposed State Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing measures are necessary to make substantial improvements in the State's budgetary situation. The 2011-12 Budget Overview supports the extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and to the restructuring of the state local relationship in the delivery of services by shifting funding and responsibility to local governments for those services. The 2011-12 Budget Overview responds favorably to the 2011-12 Proposed State Budget proposals to "realign" state and local program responsibilities and to the proposed changes in local economic development efforts. Nonetheless, the LAO believes there are significant risks in the 2011-12 Proposed State Budget, especially in the context of the realignment and redevelopment proposals which involve many unresolved legal, financial and policy issues. The 2011-12 Budget Overview concludes that the State Legislature will have to make difficult decisions on both its spending and tax commitment and that the 2011-12 Proposed State Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011-12 Budget Overview recognizes that, while the 2011-12 Proposed State Budget includes revenue proposals resulting in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the 2011-12 Proposed State Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for community colleges and child care programs. The 2011-12 Budget Overview also suggests that $128 million of the anticipated Proposition 98 savings included in the 2011-12 Proposed State Budget cannot be realized and that the assumed $74 million in savings due to the sunset of the Special Disabilities Adjustment program could violate federal maintenance of effort requirements. In addition, the 2011-12 Budget Overview recommends that the State Legislature could consider a different combination of policy changes to realize child care savings. With respect to community college funding, the 2011-12 Budget Overview supports the 2011-12 Proposed State Budget proposal to increase community college fees.

The 2011 LAO Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2011-12 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2011-12 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by national and State economic conditions and other factors.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2010-11 and in future fiscal years. Continued State budget shortfalls in fiscal year 2010-11 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. The District is not a basic aid district.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2006-07 through 2009-10, and (ii) the District's projected A.D.A. enrollment and base revenue limit per unit of A.D.A. for fiscal year 2010-11, for kindergarten through grade 12 ("K-12"), including special education (but excluding adult education and regional occupation program attendance).

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2006-07 Through 2010-11

Fiscal Year	Average Daily Attendance[(1)]	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2006-07	27,430	29,708	$5,536.00
2007-08	26,601	29,070	5,788.05
2008-09[(2)]	25,604	27,465	5,637.23
2009-10[(3)]	25,630	27,174	5,208.18
2010-11[(4)]	25,451	27,075	5,212.67

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of $5,637.23. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.
(3) The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.75% and a funded base revenue limit of $ 5,208.18, which includes a one time base revenue limit reduction of $252.83.
(4) Figures are projections. The District also expects a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which results in a funded base revenue limit of $5,212.67.
Source: The District.

In its 2010-11 first interim report, the District projects that it will receive approximately $136.7 million in aggregate revenue limit income in fiscal year 2010-11, or approximately 64.3% of its general fund revenues. State funds for special programs are currently budgeted to be $34.5 million for fiscal year 2010-11. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently budgeted at $3.5 million for fiscal year 2010-11.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections

95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a "basic aid district." Local property tax revenues account for approximately 6.1% of the District's aggregate revenue limit income, and are budgeted to be $8,355,862, or 4% of total general fund revenue in fiscal year 2010-11. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2006-07 through fiscal year 2010-11.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Developer Fees
Fiscal Years 2006-07 through 2010-11

Year	Total Revenues
2006-07	$4,563,190.32
2007-08	924,312.70
2008-09	161,332.34
2009-10	234,239.94
2010-11[1] [2]	(5,000.00)

[1] Projected.
[2] The negative amount for fiscal year 2010-11 reflects projected net revenue after a refund to a developer that had prepaid fees and subsequently downsized its project.
Source: The District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2010, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Co. LLP, Certified Public Accountants & Consultants, Rancho Cucamonga, California, for fiscal years 2005-06 through 2009-10.

The District's auditor has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2005-06 through 2009-10.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2005-06 through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUES					
Revenue limit sources	$150,390,461	$159,249,126	$161,544,376	$153,850,101	$127,809,994
Federal sources	20,704,265	20,654,970	19,367,687	31,151,195	23,998,844
Other State sources	34,961,168	45,389,012	50,505,028	41,605,298	42,435,262
Other local sources	13,242,587	15,728,992	15,630,304	14,673,265	15,290,083
Total Revenues	219,298,481	241,022,100	247,047,395	241,279,859	209,534,183
EXPENDITURES					
Current					
Instruction	134,261,586	139,339,575	141,426,248	135,680,113	129,431,978
Instruction related activities:					
Supervision of instruction	14,905,671	15,991,075	16,692,615	16,101,794	14,605,649
Instructional library, media, and technology	2,986,603	3,085,904	3,215,333	3,448,515	2,922,905
School site administration	15,628,268	17,147,371	17,009,162	16,299,686	16,459,437
Pupil services:					
Home-to-school transportation	4,142,883	4,563,110	4,608,783	4,002,425	3,870,437
Food services	-	46	205	-	39,467
All other pupil services	9,307,769	9,967,561	10,868,034	11,344,225	11,467,155
General administration:					
Data processing	4,370,176	3,566,414	3,622,800	3,460,354	3,731,675
All other general administration	8,562,834	9,736,913	8,770,552	8,955,940	9,333,715
Plant services	23,253,828	24,710,927	25,067,615	25,797,179	25,395,947
Facility acquisition and construction	510,731	700,524	585,324	745,040	224,551
Community services	27,086	33,411	35,794	37,734	27,421
Other outgo	642,878	433,940	618,450	664,339	986,917
Debt service					
Principal	214,227	94,858	36,717	-	-
Interest and other	16,632	25,836	2,667	-	-
Total Expenditures	218,831,172	229,397,465	232,560,299	226,537,344	218,497,254
Excess (Deficiency) of Revenues Over Expenditures	467,309	11,624,635	14,487,096	14,742,515	(8,963,071)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	744,907	327,497	440,243
Transfers out	(2,111,425)	(2,336,548)	(2,923,094)	(2,598,444)	(1,467,639)
Net Financing Sources (Uses)	(2,111,425)	(2,336,548)	(2,178,187)	(2,270,947)	(1,027,639)
NET CHANGE IN FUND BALANCES	(1,644,116)	9,288,087	12,308,909	12,471,568	(9,990,467)
Fund Balance – Beginning	20,970,971	19,326,855	28,614,942	40,923,851	53,395,419
Fund Balance – Ending	$19,326,855	$28,614,942	$40,923,851	$53,395,419	$43,404,952

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

The following table shows the general fund balance sheets of the District for fiscal years 2005-06 through 2009-10.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Summary of General Fund Balance Sheet
Fiscal Years 2005-06 Through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006–07	Fiscal Year 2007–08	Fiscal Year 2008-09	Fiscal Year 2009-10
ASSETS					
Deposits and investments	$23,250,935	$29,018,713	$37,653,755	$35,278,657	$14,794,206
Receivables	19,020,304	23,065,944	22,143,583	35,964,956	38,855,139
Due from other funds	2,833,024	1,047,354	704,423	1,039,724	594,148
Prepaid expenses	-	611,836	1,000	453,650	2,174,012
Stores inventories	124,969	118,941	151,717	141,428	79,457
Total Assets	$45,229,232	$53,862,788	$60,654,478	$72,878,415	$56,496,962
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$22,031,047	$23,663,895	$18,355,412	$15,861,186	$11,933,837
Due to other funds	569,239	90,162	218,074	214,130	6,853
Deferred revenue	3,302,091	1,493,789	1,157,141	3,407,680	1,151,320
Total Liabilities	25,902,377	25,247,846	19,730,627	19,482,996	13,092,010
FUND BALANCES					
Reserved					
Revolving cash	50,000	50,000	50,000	50,000	50,000
Stores inventories	124,969	118,941	151,717	141,428	79,457
Prepaid expenditures	-	-	1,000	453,650	2,174,012
Legally restricted balances	4,835,614	12,693,963	16,176,251	20,463,578	16,803,319
Other reservations	-	611,836	-	-	-
Unreserved:					
Designated	7,232,693	7,033,382	7,107,861	6,732,253	6,640,222
Undesignated, reported in General fund	7,083,579	8,106,820	17,437,022	25,554,510	17,657,942
Total Fund Balances	19,326,855	28,614,942	40,923,851	53,395,419	43,404,952
Total Liabilities and Fund Balances	$45,229,232	$53,862,788	$60,654,478	$72,878,415	$56,496,962

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Bernardino County Superintendent of Schools.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year's obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has never received a negative certification but has received qualified certifications in the past. The last qualified certification the District received was in connection with the second interim certification for fiscal year 2009-10.

The following table summarizes the District's adopted general fund budgets for fiscal years 2008-09 and 2009-10, unaudited actuals for fiscal years 2007-08 and 2008-09, and first interim report for fiscal year 2010-11.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Fund Budgets for Fiscal Years 2008-09 and 2009-10,
Unaudited Actuals for Fiscal Years 2008-09 and 2009-10
and First Interim Report for Fiscal Year 2010-11

	2008-09 Original Adopted Budget	2008-09 Unaudited Actuals	2009-10 Original Adopted Budget	2009-10 Unaudited Actuals	2010-11 First Interim Report
REVENUES					
Revenue Limit Sources	$157,064,310.00	$153,850,100.68	$136,592,756.00	$127,809,993.95	$136,737,115.00
Federal Revenue	17,401,645.00	31,151,195.09	23,515,249.00	24,007,322.97	27,073,761.99
Other State Revenue	32,561,678.00	41,315,340.50	34,115,648.00	37,894,850.18	34,440,397.67
Other Local Revenue	15,676,020.00	14,673,266.46	14,346,824.00	15,281,604.55	14,206,116.86
TOTAL REVENUES	222,703,653.00	240,989,902.73[1]	208,570,477.00	204,993,771.65[1]	212,457,391.52
EXPENDITURES					
Certificated Salaries	111,189,384.00	110,959,159.96	104,897,751.00	107,664,675.95	105,136,793.50
Classified Salaries	35,202,997.00	34,046,363.60	35,320,110.00	34,733,542.87	33,757,654.08
Employee Benefits	42,175,762.00	41,473,007.78	42,394,466.00	43,169,752.30	47,364,505.40
Books and Supplies	9,661,309.00	10,683,149.50	9,953,408.00	7,194,422.76	9,102,229.13
Services, Other Operating Expenses	26,928,835.28	23,112,240.97	28,927,523.00	20,530,947.91	35,889,639.95
Capital Outlay	779,744.00	1,460,360.05	551,621.00	327,185.78	2,460,043.95
Other Outgo (excluding Direct Support/Indirect Costs)	650,000.00	684,339.39	700,000.00	986,917.21	1,044,540.00
Transfers of Direct Support/Indirect Costs	(807,195.14)	(803,636.12)	(864,950.00)	(680,603.05)	(761,478.00)
TOTAL EXPENDITURES	225,780,836.14	221,594,985.13[1]	221,879,929.00	213,956,841.73[1]	233,993,928.01
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,077,183.14)	19,394,917.60	(13,309,452.00)	(8,963,070.08)	(21,536,536.49)
OTHER FINANCING SOURCES (USES)					
Inter-fund Transfers In	-	327,497.00	-	440,243.00	-
Inter-fund Transfers Out	2,517,759.00	2,598,444.15	1,748,391.00	1,467,639.00	-
Other Sources (Uses)	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(2,517,759.00)	(2,270,947.15)	(1,748,391.00)	(1,027,396.00)	-
NET INCREASE (DECREASE) IN FUND BALANCE	(5,594,942.14)	17,123,970.45	(15,057,843.00)	(9,990,466.08)	(21,536,536.49)
BEGINNING BALANCE, as of July 1	35,893,134.25	40,923,850.70	38,829,653.33	58,047,821.15	43,404,953.07
Audit Adjustments	-	-	-	(4,652,402.00)[1]	-
As of July 1 – Audited	35,893,134.25	40,923,850.70	38,829,653.33	53,395,419.15	43,404,95.307
Other Restatements	-	-	-	-	-
Adjusted beginning Balance	35,893,134.25	40,923,850.70	38,829,653.33	53,395,419.15	43,404,953.07
ENDING BALANCE	30,298,192.11	58,047,821.15	23,771,810.33	43,404,953.07	21,868,416.58

(1) Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions of 4.517% of teacher payroll to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports, amounting to $4,942,359 and $4,540,412 in fiscal years 2008-09 and 2009-10, respectively. The District's audited financial statements include such amounts as revenue and as an expenditure. In addition, the District has made a downward adjustment to its fiscal year 2008-09 revenues in its audited financial statements (and, therefore, its June 30, 2009, audited ending balance and July 1, 2009 audited beginning balance) to reflect a legislative reduction of State categorical funds in the amount of $4,652,402 after the close of the District's 2008-09 fiscal year.

Source: District Adopted General Fund Budgets for fiscal years 2008-09 and 2009-10; unaudited actuals for fiscal years 2008-09 and 2009-10; and first interim report for fiscal year 2010-11.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2010, consisted of the following:

Long-Term Debt	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
Series 2000A Bonds	$16,477,503	$754,241	$1,390,000	$15,841,744	$1,470,000
Series 2003B Bonds	17,530,000	-	620,000	16,910,000	640,000
Premium on Issuance	261,932	-	15,371	246,561	-
Series 2004C Bonds	18,300,000	-	605,000	17,695,000	625,000
Premium on Issuance	266,917	-	14,048	252,869	-
2006 Certificates of Participation[1]	4,590,000	-	120,000	4,470,000	125,000
Discount on Issuance	(15,764)	-	(717)	(15,047)	-
1997 Refunding Certificates of Participation[1]	10,260,000	-	350,000	9,910,000	360,000
Premium on Issuance	800	-	42	758	-
Child Care Facilities Revolving Fund	680,420	-	197,014	483,406	197,014
City of Rialto Redevelopment Agency Loan	5,957,818	-	78,952	5,878,866	78,952
Premium on Issuance	13,016	-	454	12,562	-
Supplemental Early Retirement Plan (SERP)	2,150,000	8,140,673	430,000	9,860,673	2,058,135
Estimated insurance claims	369,110	14,054	-	383,164	-
Accumulated vacation – net	698,406	-	65,624	632,782	-
Other postemployment benefits	5,318,475	2,630,649	-	7,949,124	-
Totals	$82,858,633	$11,539,617	$3,885,788	$90,512,462	$5,554,101

[1] A portion of the proceeds of the Series 2011A Bonds will be used to refund the 1997 Refunding Certificates of Participation maturing on September 1 in years 2011 through 2013, inclusive, years 2021 through 2023, inclusive, and year 2027 and the 2006 Certificates of Participation maturing on September 1 in years 2011 through 2013, inclusive, and years 2030 and 2031. See "THE SERIES 2011 BONDS −Authority for Issuance; Purpose" above.

General Obligation Bonds. The District has three series of bonds outstanding, excluding the Series 2011 Bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The following table summarizes the District's bonds that were outstanding as of June 30, 2010:

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

See also "THE SERIES 2011 BONDS—Outstanding Bonds" and " – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for these bonds.

Certificates of Participation. On June 27, 2006, the District executed and delivered the Rialto Unified School District Certificates of Participation (2006 Capital Project) in the aggregate principal amount of $4,770,000 (the "2006 Certificates"). The 2006 Certificates were executed and delivered at an aggregate price of $4,500,000 (representing the principal amount of $4,770,000 less discount on issuance of $17,915 and less costs of issuance of $252,085). The 2006 Certificates have a maturity date of September 1, 2031 with interest rates varying from 4.0 to 6.0%. At June 30, 2010, 2006 Certificates totaling $4,470,000 were still outstanding. The 2006 Certificates mature through 2032 as follows:

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

[(1)] A portion of the proceeds of the Series 2011A Bonds will be used to refund the 2006 Certificates maturing on September 1 in years 2011 through 2013, inclusive, and years 2030 and 2031. See “THE SERIES 2011 BONDS −Authority for Issuance; Purpose” above.

On September 19, 1997, the District executed its 1997 Refunding Certificates of Participation (the “Refunding Certificates”) in the amount of $12,530,000, with the Refunding Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Refunding Certificates was originally fixed through September 1, 2002. The District, the Corporation and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Refunding Certificates in a fixed interest mode through the respective maturity dates of the Refunding Certificates. As a result, the Refunding Certificates were reoffered at $12,040,000 as of September 3, 2003. As of June 30, 2010, Refunding Certificates totaling $9,910,000 were still outstanding. The Refunding Certificates mature through 2028 as follows:

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

[(1)] A portion of the proceeds of the Series 2011A Bonds will be used to refund the Refunding Certificates maturing on September 1 in years 2011 through 2013, inclusive, years 2021 through 2023, inclusive, and year 2027. See “THE SERIES 2011 BONDS −Authority for Issuance; Purpose” above.

Child Care Facilities Revolving Fund. During fiscal year 2000-01 and fiscal year 2001-02, the District entered into lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program bringing a total to date of fourteen agreements entered into. The program provides up to $150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2010, the outstanding balance was $483,406.

Year Ending June 30,	Principal
2011	$197,014
2012	143,392
2013	39,000
2014	26,000
2015	26,000
2016 – 2017	52,000
Total	$483,406

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. During 2008, the District borrowed an additional $3,390,000 to complete the project. As of June 30, 2010, the outstanding balance was $6,878,866. Unamortized premium and costs of issuance at June 30, 2010, were $12,562 and $586,504, respectively. The loan is to be repaid by retaining pass-through payments due the District in amounts noted on the debt served schedule below.

Year Ending June 30,	Principal	Interest	Total
2011	$ 78,952	$ 300,947	$ 379,899
2012	84,656	298,028	382,684
2013	86,065	294,864	380,929
2014	86,770	291,570	378,340
2015	92,474	288,150	380,624
2016 – 2020	527,165	1,377,727	1,904,892
2021 – 2025	660,979	1,240,530	1,901,509
2026 – 2030	1,067,406	1,048,806	2,116,212
2031 – 2035	2,256,547	641,284	2,897,831
2036 – 2037	937,852	96,018	1,033,870
Total	$5,878,866	$5,877,924	$11,756,790

Supplementary Early Retirement Plan (SERP). The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California Sate Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 43 employees who retired during the 2008-09 school year and 143 employees who retired during the 2009-10 school year, were purchased from United of Pacific Life Insurance Company. As of June 30, 2010, the balance remaining was $9,860,673. Future payments are as follows:

Year Ending June 30	Total
2011	$2,058,135
2012	2,058,135
2013	2,058,135
2014	2,058,135
2015	1,628,133
Total	$9,860,673

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

Accumulated Unpaid Employee Vacation. The accumulated unpaid employee vacation for the District at June 30, 2010, amounted to $632,782.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides certain post retirement healthcare benefits, in accordance with District employment contracts. For a description of the District's program, which is a single-employer defined benefit healthcare plan including medical, dental and vision benefits, see Note 10 to the District's financial statements attached hereto APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the fiscal year ended June 30, 2008.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Education, and may be amended by the District from time to time. The District's current funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and plan expenses. The District contributions for these benefits for fiscal years 2007-08, 2008-09 and 2009-10 were $1,072,475, $1,033,562 and $1,039,520, respectively. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Demsey Filliger & Associates, Chatsworth, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of February 1, 2009, the District had an accrued unfunded liability of $18,601,302. The actuarial assumptions included a discount rate of 5.00%. For more information regarding the actuarial valuation, the District's annual required contribution for 2009-10 and the District's net OPEB obligation at June 30, 2010, as well as the basic assumptions upon which the valuation was based, see Note 10 to the District's financial statements attached hereto APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

Tax and Revenue Anticipation Notes. The District has not issued any tax and revenue anticipation notes in fiscal year 2010-11.

Employment

As of June 30, 2010, the District employed 1,387 certificated professionals and approximately 1,211 classified full time equivalent employees. For the year ended June 30, 2010, the total certificated and classified payrolls are estimated to be approximately $107,664,676 and $34,733,543, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented(1)	Current Contract Expiration Date
Rialto Education Association	1,205	June 30, 2010(2)
California Schools Employees Association	814	June 30, 2013

(1) Full time equivalent numbers; as of December 13, 2010.
(2) The District is currently negotiating a new contact and expects to, but cannot guarantee that it will, reach a satisfactory agreement.
Source: The District.

Retirement Benefits

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2009, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $40.5 billion, an increase of $18 billion from the June 30, 2008 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 Proposed State Budget and the 2005-06 May Revise of the 2005-

06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially.

The District's employer contributions to CalSTRS for fiscal years 2007-08, 2008-09 and 2009-10 were 9,280,653 $9,026,620 and $8,778,602, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2010-11 will be approximately $8,805,905.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2009, the CalPERS Plan for Schools had a funded ratio of 65% on a market value of assets basis. The funded ratio as of June 30, 2008 and June 30, 2007 was 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

The District's employer contributions to CalPERS for fiscal years 2007-08, 2008-09 and 2009-10 were $3,295,530, $3,236,495 and $3,410,849, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2010-11 will be approximately $3,359,692.

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

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

The District's required and actual contributions for fiscal year 2009-10 amounted to $234,379, which was 3.75% of its covered payroll. Employees required and actual contributions matched that of the employer's.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS, CalPERS and APPLE are more fully described in Appendix B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, Note 12."

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in three joint ventures under joint powers agreements ("JPA's"): Schools Excess Liability Fund (SELF), Protected Insurance Program for Schools (PIPS), and Southern California ReLieF (SoCal ReliEF). The District pays an annual premium to each entity for its excess liability coverage, workers' compensation coverage, and property and liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements attached hereto as Appendix B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010." During the year ended June 30, 2010, the District made payments of $72,277, $2,999,922 and $728,498 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2008-09 fiscal year are equal to the allowable limit of $211,845,254 and estimates an appropriations limit for the 2009-10 fiscal year of $209,748,156. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in S*anta Clara County Transportation Authority v. Guardino.* This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). The Accountability Act changed State funding of public education below the university level, and the operation of the State’s Appropriations Limit. The Accountability Act guarantees State funding for K through 12 school districts and community college districts (collectively, “K-14 districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 school Appropriations Limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION — State Funding of Education; State Budget Process."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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RIALTO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

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

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

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

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

RIALTO UNIFIED SCHOOL DISTRICT
182 East Walnut Avenue Rialto, California 92376-3598 Telephone (909) 820-7700 FAX (909) 873-2489

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

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

Table 1

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

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

Changes in Net Assets

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

Table 2

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

Governmental and Business-Type Activities

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

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

Table 3

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

THE DISTRICT'S FUNDS

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

Table 4

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

The primary reasons for these decreases are:

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

General Fund Budgetary Highlights

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Table 5

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

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

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

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

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

Long-Term Obligations

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

Table 6

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

Financial

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

Expenditures are based on the following forecasts:

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2010

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

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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

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

Subtotal, General Revenues

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (26,962,541)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 18,028,566	
Depreciation expense	(10,568,475)	7,460,091
An internal service fund is used by the District's management to charge the costs of the deductible portion of property and liability claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		(431,267)
In the Statement of Activities, certain operating expenses - insurance claims are measured by the amounts incurred during the year based upon actuarial assumptions. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The claims liability paid was less than the amounts incurred.		(14,054)
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(2,630,649)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by $65,624. This year, special termination benefits increased because $8,140,673 in new benefits were issued and $430,000 was paid towards benefits.		(7,645,049)

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

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

Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
1999 General Obligation Bonds	$	2,615,000
2006 Certificates of Participation		120,000
1997 Refunding Certificates of Participation		350,000
Child Care Facilities Revolving Fund		197,014
City of Rialto Redevelopment Agency Loan		78,952
If debt is issued at a discount or a premium in governmental funds, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide financial statements, the premium or discount is amortized as interest over the life of the debt. The difference between the premium/discount recognized in the current period and the amortization for the period is:		29,198
Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide financial statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		(67,683)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation increased by $1,077,935 and second, $754,241 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(720,601)
Change in Net Assets of Governmental Activities	**$**	**(27,621,589)**

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

RIALTO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

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

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

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

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

NONCASH, NONCAPITAL FINANCING ACTIVITIES

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

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

RIALTO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

Non-Major Governmental Funds

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

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

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

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

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums, and Discounts

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

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

Fund Balance Reserves and Designations

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

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

Net Assets

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

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

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

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

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk - Deposits

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

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

NOTE 4 - CAPITAL ASSETS

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

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

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

Governmental Activities	
Instruction	$ 8,560,465
All other pupil services	422,739
All other general administration	528,424
Plant services	1,056,847
Total Depreciation Expenses Governmental Activities	10,568,475
Business-Type Activities	
Nutrition services	561,546
Total Depreciation Expenses All Activities	$ 11,130,021

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2010, between major and non-major governmental funds, and major enterprise funds are as follows:

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

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

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

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

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

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

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

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

Operating Transfers

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

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

The General Fund transferred to the following Non-Major Governmental Funds:		
Adult Education Fund for revenue received in the General Fund unrestricted funds.	$ 344,089	
COP Debt Service Fund for debt service payment.	1,123,550	$ 1,467,639
The County School Facilities Fund transferred to the Special Reserve Fund for Capital Outlay Non-Major Governmental Fund for E-Rate projects.		7,700
The Internal Service Fund transferred to the General Fund for excess self-insurance reserves.		440,243
Total		$ 1,915,582

NOTE 6 - ACCOUNTS PAYABLE

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

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

NOTE 7 - DEFERRED REVENUE

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

	General Fund
Federal financial assistance	$ 1,151,320

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

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

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

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

1999 General Obligation Refunding Bonds, Series A

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

1999 General Obligation Bonds, Series B

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

1999 General Obligation Bond, Series C

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

The 1999 General Obligation Bonds mature as follows:

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

2006 Certificates of Participation

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

The Certificates mature through 2032 as follows:

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

1997 Refunding Certificates of Participation

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

The Certificates mature through 2028 as follows:

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

Child Care Facilities Revolving Fund

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

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

City of Rialto Redevelopment Agency Loan

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

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

The debt service schedule for the loan is as follows:

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

Supplementary Early Retirement Plan (SERP)

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

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

Estimated Insurance Claims

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

Accumulated Unpaid Employee Vacation

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

Other Postemployment Benefit (OPEB) Obligation

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

NOTE 9 - FUND BALANCES

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

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

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

Plan Description

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

Contribution Information

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Trend Information

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

NOTE 11 - RISK MANAGEMENT

Description

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

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

Claims Liabilities

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

Unpaid Claims Liabilities

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

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

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

CalPERS

Plan Description

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

Funding Policy

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

Alternative Retirement Plan

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

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

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

On Behalf Payments

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

Construction Commitments

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

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

Operating Leases

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

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

Year Ending June 30,	Lease Payment
2011	$ 406,650

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

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

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

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

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

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

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

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

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

RIALTO UNIFIED SCHOOL DISTRICT

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

Schedule of Funding Progress

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

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

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

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

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

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2010

ORGANIZATION

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

GOVERNING BOARD

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

ADMINISTRATION

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

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

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

	(Budget) 2011 [1]	2010	2009	2008
GENERAL FUND				
Revenues	$ 193,460,916	$ 209,534,183	$ 241,279,859	$ 247,047,395
Other sources and transfers in	-	440,243	327,497	744,907
Total Revenues and Other Sources	193,460,916	209,974,426	241,607,356	247,792,302
Expenditures	213,153,815	218,497,254	226,537,344	232,560,299
Other uses and transfers out	-	1,467,639	2,598,444	2,923,094
Total Expenditures and Other Uses	213,153,815	219,964,893	229,135,788	235,483,393
INCREASE (DECREASE) IN FUND BALANCE	$ (19,692,899)	$ (9,990,467)	$ 12,471,568	$ 12,308,909
ENDING FUND BALANCE	$ 23,712,054	$ 43,404,952	$ 53,395,419	$ 40,923,851
AVAILABLE RESERVES [2]	$ 17,071,832	$ 24,298,164	$ 36,723,079	$ 24,349,063
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	8.0%	11.3%	16.4%	10.6%
LONG-TERM OBLIGATIONS	N/A	$ 90,512,462	$ 82,858,633	$ 80,571,723
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	25,453	25,630	25,604	26,601

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

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

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

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

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

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

[4] Excludes Adult Education ADA.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

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

RIALTO UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

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

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

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

* *

	2009-2010	2008-2009	2007-2008
BASE REVENUE LIMIT PER ADA			
Regular[1]	$ 6,379	$ 6,117	$ 5,788
Adult	$ 2,645	$ 2,645	$ 2,645

[1] Before deficits.

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

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

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

*

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

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

See accompanying note to supplementary information.

NOTE 1— PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

General Fund Selected Financial Information

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

Cafeteria Account Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Rialto Unified School District
Rialto, California

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

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Rialto Unified School District
Rialto, California

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

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

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

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Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 7, 2010

vtd

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Rialto Unified School District
Rialto, California

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

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

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

None reported.

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2010-1 40000

After School Education and Safety Program

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition found.

Context

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

Effect

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

Cause

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

Recommendation

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

District Response

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

2010-2 40000

After School Education and Safety Program – Attendance Reporting

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Recommendation

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

District Response

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

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

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

Financial Statement Findings

None Reported

Federal Awards Findings

2009-1 50000

Federal Program

Title: Title I – Grants to Local Educational Agencies Cluster
CFDA: 84.010
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Compliance Area: Procurement and Suspension and Debarment

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

Condition Found

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

Questioned Cost Identified

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

2009-2 50000

Federal Program

Title: Improving Teacher Quality Cluster
CFDA: 84.367
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

Compliance Area: Special Tests and Provisions: Needs Assessment

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

Condition Found

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

Questioned Cost Identified

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

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

State Awards Findings

After School Education and Safety Program

2009-3 40000

Criteria or Specific Requirement

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

Condition

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

Questioned Cost

There were no questioned costs associated with the condition found.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Not implemented. See current year finding 2010-1.

Governing Board
Rialto Unified School District
Rialto, California

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

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

INTERNAL CONTROL

Position Control

Observation

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

Recommendation

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

District Response

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

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ATTENDANCE

System Security

Observation

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

Recommendation

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

District Response

Completed by June 11, 2010

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

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

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

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

CASH

Risk Management – Revolving Cash

Observation

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

Recommendation

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

District Response

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

ASSOCIATED STUDENT BODY (ASB)

Kolb Middle School

Observations

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

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

Recommendations

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

District Responses

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

Rialto High School

Observations

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

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

Recommendations

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

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

District Responses

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

ASSOCIATED STUDENT BODY

Carter High School

Observations

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

Recommendations

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

District Responses

CARTER HIGH SCHOOL
ASB Procedures and Protocols

Effectively November 15, 2010:

Deposits

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

Refunds

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

ASB Cash Drawer

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

Activities involving Ticket Sales

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

Fundraisers

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

Club Accounts

1. All clubs will receive a monthly accounting report.

Miscellaneous

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

Rialto High School

Observations

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

Recommendations

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

District Response

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

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

Elementary Schools

Observations

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

Recommendations

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

District Response

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

Other ASB Finding for All School Sites

Observations

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

Recommendations

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

District Response

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

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

Governing Board
Rialto Unified School District

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

Vavrinek, Trine, Day + Co., LLP

Rancho Cucamonga, California
December 7, 2010

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2011 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2011 Bonds in substantially the following form:

[Date of Delivery]

Rialto Unified School District
Rialto, California

Rialto Unified School District
General Obligation Bonds, Election of 2010, Series 2011A

Rialto Unified School District
General Obligation Bonds, Election of 2010, Series 2011B
(Federally Taxable/Qualified School Construction Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Rialto Unified School District (the "District") in connection with the issuance by the District, which is located in the County of San Bernardino (the "County"), of $26,932,186.85 aggregate initial principal amount of bonds designated as "Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011A" (the "Series 2011A Bonds"), and $9,695,000.00 aggregate principal amount of bonds designated as "Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds)" (the "Series 2011B Bonds" and together with the Series 2011A Bonds, the "Series 2011 Bonds"), authorized at an election held in the District on November 2, 2010. The Series 2011 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on January 19, 2011 (the "District Resolution"). The Series 2011A Bonds consist of $10,043,816.60 aggregate initial principal amount of capital appreciation bonds and $16,888,370.25 aggregate initial principal amount of convertible capital appreciation bonds. The Series 2011B Bonds consist of $9,695,000 aggregate principal amount of current interest bonds.

In such connection, we have reviewed the District Resolution, the Tax Certificate of the District, dated the date hereof, relating to the Series 2011A Bonds (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2011 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2011 Bonds, the District Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We also express no opinion regarding any accreted value table or calculation set forth or referred to in any of the Series 2011 Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 3, 2011, or other offering material relating to the Series 2011 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2011 Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2011 Bonds and the interest thereon.

4. Interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2011 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Rialto Unified School District (the "District") in connection with the issuance of $26,932,186.85 aggregate initial principal amount of Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011A and $9,695,000 aggregate principal amount of Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds) (collectively, the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on January 19, 2011 (the "District Resolution"). The District covenants and agrees as follows:

Section 1. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. **Definitions.** In addition to the definitions set forth in the District Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated March 3, 2011 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2010-2011 Fiscal Year (which is due not later than April 1, 2012), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County of San Bernardino (the "County").

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County.

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of the credit or liquidity providers or their failure to perform;

(v) issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the District Resolution.

Section 6. <u>Termination of Reporting Obligation</u>. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

Section 8. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the District Resolution for amendments to the District Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County of Sonoma. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: March 17, 2011

RIALTO UNIFIED SCHOOL DISTRICT

By: ___________________________________

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	RIALTO UNIFIED SCHOOL DISTRICT
Name of Issue:	Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011A; and Rialto Unified School District General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds)
Date of Issuance:	March 17, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated March 17, 2011. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

RIALTO UNIFIED SCHOOL DISTRICT

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APPENDIX E

SUMMARY OF COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL

The San Bernardino County Treasury Pool

The following information has been provided by the Auditor-Controller/Recorder/Treasurer/Tax Collector of the County (the "County Treasurer"), and the District takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

General. The County Treasurer is responsible for the investment of the funds of the County, all school districts and community college districts and certain special districts in the County, which are required under state law to be deposited into the County treasury ("Involuntary Depositors"). In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool"). No particular deposits are segregated for separate investment.

The Treasury Pool is presently assigned the following credit quality ratings:

- Standard & Poor's Ratings Group - "AAAf" (credit quality) and "S1+" (volatility)
- Moody's Investors Service - "Aaa" (credit quality) and "MR1" (volatility)
- Fitch Ratings, Inc. - "AAA" (credit quality) and "V1" (volatility)*

* Fitch Ratings' volatility rating reflects their 2010 revised ratings methodology.

These ratings are assessments of the overall credit quality of the Treasury Pool's portfolio. The ratings thus reflect the level of protection against losses from credit defaults. These ratings reflect only the views of the respective rating agencies and any explanation of the significance of such ratings may be obtained from such rating agencies as follows: Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc., 55 Water Street, New York, New York 10041, Moody's Investors Services, Inc., 7 World Trade Center, 250 Greenwich Street, Public Finance Group, 23rd Floor, New York, New York 10007 and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004.

Under State law, Depositors in the Treasury Pool are permitted to withdraw funds that they have deposited on 30 days notice. The County does not expect that the Treasury Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Treasury Pool.

The County has established a Treasury Oversight Committee as required by State law. The members of the Oversight Committee include the County Administrative Officer, two members of the public and the Superintendent of Schools or his designee. The role of the Oversight Committee is to review and monitor the County's Investment Policy (the "Investment Policy") that is prepared by the Treasurer.

Investments of the Treasury Pool.

Authorized Investments. Investments of the Treasury Pool are placed in those securities authorized by various sections of the California Government Code and the Investment Policy, which include obligations of the United States Treasury, Agencies of the United States Government, local bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes and shares of beneficial interest in diversified management companies (mutual funds). Generally, investments in repurchase agreements cannot exceed a term of 180 days and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security. The value of the repurchase agreement shall be adjusted no less than weekly. In addition, reverse repurchase agreements generally may not exceed 10% of the base value of the portfolio and the term of the agreement may not exceed 92 calendar days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base value is defined as the total cash balance excluding any amounts borrowed (i.e., amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation that would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Therefore, there can be no assurances that the current investments in the Treasury Pool will not vary significantly from the investments described herein.

The Investment Policy. The Investment Policy currently states the primary goals of the Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the Treasurer's control, the secondary objective is to meet the liquidity needs of the Treasury Pool Participants, and the third objective is to achieve a return on the funds under the control of the Treasurer within the parameters of prudent risk management. The Investment Policy contains a requirement that 40% of the Treasury Pool should be invested in securities maturing in one year or less, and the entire portfolio should maintain an effective duration of less than 1.5 years. With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 10% of the total investments in the Treasury Pool.

The Treasury Pool also does not own any reverse repurchase agreements, nor has the County engaged in securities lending. The Treasury Pool has not purchased and does not own any asset-backed securities, mortgage-backed securities, collateralized debt obligations, collateralized loan obligations, or any other securities backed by or derived from sub-prime or Alt-A mortgages. FNMA, FHLMC, FHLB and FFCB holdings are senior unsecured obligations.

Certain Information Relating to Treasury Pool. The following table reflects information with respect to the Treasury Pool as of the close of business January 31, 2011. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Treasury Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on January 31, 2011, the Treasury Pool necessarily would have received the values specified. The Treasury Pool has no exposure to any defaulted securities, nor does it own any securities of institutions in liquidation.

Security Type	Par Value	Market Value
Bankers Acceptances	$ 0.00	$ 0.00
Certificates of Deposit	502,100,000.00	502,069,619.24
Collateralized Certificates of Deposit	0.00	0.00
Commercial Paper	870,000,000.00	869,878,225.00
Corporate Notes	0.00	0.00
Federal Agencies	2,851,074,000.00	2,869,146,971.28
Money Market Funds	25,000,000.00	25,000,000.00
Municipal Debt	0.00	0.00
Repurchase Agreements	0.00	0.00
TLGP Corporate Notes	122,100,000.00	123,375,017.10
U.S. Treasuries	295,000,000.00	297,395,384.38
Cash	299,465,883.06	299,465,883.06
TAGP/FDIC NOW	0.00	0.00
Total Investments	$4,964,739,883.06	$4,986,331,100.06

*Does not include accrued interest of $14,533,999.47.

Neither the District nor the Underwriters have made an independent investigation of the investments in the Pools and has made no assessment of the current Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2011 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2011 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

TABLES OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

Date	Capital Appreciation Bonds 08/01/2026 12.00%	Capital Appreciation Bonds 08/01/2027 12.00%	Capital Appreciation Bonds 08/01/2028 12.00%	Capital Appreciation Bonds 08/01/2029 12.00%	Capital Appreciation Bonds 08/01/2030 7.32%	Capital Appreciation Bonds 08/01/2031 7.11%	Capital Appreciation Bonds 08/01/2036 7.50%
3/17/2011	833.55	741.85	660.25	587.65	1,242.00	1,204.55	772.05
8/1/2011	870.55	774.75	689.55	613.70	1,275.65	1,236.30	793.50
2/1/2012	922.75	821.25	730.90	650.50	1,322.35	1,280.25	823.25
8/1/2012	978.15	870.55	774.75	689.55	1,370.75	1,325.75	854.15
2/1/2013	1,036.80	922.75	821.25	730.90	1,420.90	1,372.90	886.15
8/1/2013	1,099.05	978.15	870.55	774.75	1,472.95	1,421.70	919.40
2/1/2014	1,164.95	1,036.80	922.75	821.25	1,526.85	1,472.25	953.90
8/1/2014	1,234.85	1,099.05	978.15	870.55	1,582.70	1,524.55	989.65
2/1/2015	1,308.95	1,164.95	1,036.80	922.75	1,640.65	1,578.75	1,026.75
8/1/2015	1,387.50	1,234.85	1,099.05	978.15	1,700.70	1,634.90	1,065.25
2/1/2016	1,470.75	1,308.95	1,164.95	1,036.80	1,762.95	1,693.00	1,105.20
8/1/2016	1,559.00	1,387.50	1,234.85	1,099.05	1,827.45	1,753.20	1,146.65
2/1/2017	1,652.55	1,470.75	1,308.95	1,164.95	1,894.35	1,815.55	1,189.65
8/1/2017	1,751.70	1,559.00	1,387.50	1,234.85	1,963.70	1,880.05	1,234.30
2/1/2018	1,856.80	1,652.55	1,470.75	1,308.95	2,035.55	1,946.90	1,280.55
8/1/2018	1,968.20	1,751.70	1,559.00	1,387.50	2,110.05	2,016.10	1,328.60
2/1/2019	2,086.30	1,856.80	1,652.55	1,470.75	2,187.30	2,087.80	1,378.40
8/1/2019	2,211.50	1,968.20	1,751.70	1,559.00	2,267.35	2,162.00	1,430.10
2/1/2020	2,344.15	2,086.30	1,856.80	1,652.55	2,350.35	2,238.90	1,483.75
8/1/2020	2,484.80	2,211.50	1,968.20	1,751.70	2,436.35	2,318.45	1,539.35
2/1/2021	2,633.90	2,344.15	2,086.30	1,856.80	2,525.55	2,400.90	1,597.10
8/1/2021	2,791.95	2,484.80	2,211.50	1,968.20	2,617.95	2,486.25	1,657.00
2/1/2022	2,959.45	2,633.90	2,344.15	2,086.30	2,713.80	2,574.65	1,719.15
8/1/2022	3,137.05	2,791.95	2,484.80	2,211.50	2,813.10	2,666.15	1,783.60
2/1/2023	3,325.25	2,959.45	2,633.90	2,344.15	2,916.05	2,760.95	1,850.50
8/1/2023	3,524.80	3,137.05	2,791.95	2,484.80	3,022.80	2,859.10	1,919.90
2/1/2024	3,736.25	3,325.25	2,959.45	2,633.90	3,133.45	2,960.75	1,991.85
8/1/2024	3,960.45	3,524.80	3,137.05	2,791.95	3,248.10	3,066.00	2,066.55
2/1/2025	4,198.05	3,736.25	3,325.25	2,959.45	3,367.00	3,175.00	2,144.05
8/1/2025	4,449.95	3,960.45	3,524.80	3,137.05	3,490.25	3,287.85	2,224.45
2/1/2026	4,716.95	4,198.05	3,736.25	3,325.25	3,618.00	3,404.75	2,307.90
8/1/2026	5,000.00	4,449.95	3,960.45	3,524.80	3,750.40	3,525.80	2,394.45
2/1/2027		4,716.95	4,198.05	3,736.25	3,887.65	3,651.15	2,484.25
8/1/2027		5,000.00	4,449.95	3,960.45	4,029.95	3,780.95	2,577.40
2/1/2028			4,716.95	4,198.05	4,177.45	3,915.35	2,674.05
8/1/2028			5,000.00	4,449.95	4,330.35	4,054.55	2,774.30
2/1/2029				4,716.95	4,488.85	4,198.65	2,878.35
8/1/2029				5,000.00	4,653.15	4,347.95	2,986.30
2/1/2030					4,823.45	4,502.50	3,098.30
8/1/2030					5,000.00	4,662.55	3,214.45
2/1/2031						4,828.35	3,335.00
8/1/2031						5,000.00	3,460.10
2/1/2032							3,589.85
8/1/2032							3,724.45
2/1/2033							3,864.10
8/1/2033							4,009.00
2/1/2034							4,159.35
8/1/2034							4,315.35
2/1/2035							4,477.15
8/1/2035							4,645.05
2/1/2036							4,819.25
8/1/2036							5,000.00

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APPENDIX H

TABLES OF ACCRETED VALUES
OF CONVERTIBLE CAPITAL APPRECIATION BONDS

Date	Convertible Capital Appreciation Bonds 08/01/2041 7.35%
3/17/2011	1,648.45
8/1/2011	1,693.35
2/1/2012	1,755.55
8/1/2012	1,820.10
2/1/2013	1,886.95
8/1/2013	1,956.30
2/1/2014	2,028.20
8/1/2014	2,102.75
2/1/2015	2,180.05
8/1/2015	2,260.15
2/1/2016	2,343.20
8/1/2016	2,429.30
2/1/2017	2,518.60
8/1/2017	2,611.15
2/1/2018	2,707.10
8/1/2018	2,806.60
2/1/2019	2,909.75
8/1/2019	3,016.70
2/1/2020	3,127.55
8/1/2020	3,242.50
2/1/2021	3,361.65
8/1/2021	3,485.20
2/1/2022	3,613.25
8/1/2022	3,746.05
2/1/2023	3,883.75
8/1/2023	4,026.45
2/1/2024	4,174.45
8/1/2024	4,327.85
2/1/2025	4,486.90
8/1/2025	4,651.80
2/1/2026	4,822.75
8/1/2026	5,000.00

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ____________________________________
Authorized Officer