NEW ISSUE—BOOK-ENTRY ONLY

Ratings: Standard & Poor's (insured): "AA"
Standard & Poor's (underlying): "A"
Moody's (underlying): "A1"
(See "MISCELLANEOUS — Ratings" herein.)

Interest on the Series 2015 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, is of the opinion that interest on the Series 2015 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds. See "TAX MATTERS" herein.

$32,015,000
RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds,
Election of 2010, Series 2015
(Federally Taxable)

Dated: Date of Delivery **Due: February 1 or 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 2015 (Federally Taxable) (the "Series 2015 Bonds") are issued by the Rialto Unified School District (the "District"), located in the County of San Bernardino, California (the "County"), to finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2015 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 2015 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 is empowered and 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 of and interest on the Series 2015 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS" herein.

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

The Series 2015 Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series 2015 Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2015. Principal of the Series 2015 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 2015 Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof, as shown on the inside front cover hereof.

The Series 2015 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 the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2015 Bonds purchased by them. See "THE SERIES 2015 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2015 Bonds will be made by U.S. Bank National Association, as paying agent, registrar and transfer agent with respect to the Series 2015 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS – Payment of Principal and Interest" herein.

The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2015 BONDS — Redemption" herein.

The Series 2015 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. It is anticipated that the Series 2015 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about March 26, 2015.

PiperJaffray

This date of this Official Statement is March 10, 2015

MATURITY SCHEDULE

BASE CUSIP[1]: 762494

$32,015,000
SERIES 2015 BONDS

Maturity	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
February 1, 2017	$2,320,000	1.258%	1.258%	QV7
August 1, 2017	3,005,000	1.508	1.508	QW5
August 1, 2018	3,235,000	1.881	1.881	QX3
August 1, 2019	3,205,000	2.321	2.321	QY1
August 1, 2020	3,155,000	2.591	2.591	QZ8
August 1, 2021	3,100,000	2.888	2.888	RA2
August 1, 2022	3,035,000	3.098	3.098	RB0
August 1, 2023	2,970,000	3.328	3.328	RC8
August 1, 2024	2,885,000	3.558	3.558	RD6
August 1, 2025	2,790,000	3.748	3.748	RE4
August 1, 2026	1,165,000	3.948	3.948	RF1
August 1, 2027	1,150,000	4.128	4.128	RG9

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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

BOARD OF EDUCATION

Edgar Montes, *President*
Nancy G. O'Kelley, *Vice President*
Dina Walker, *Clerk*
Joseph Ayala, *Member*
Joseph W. Martinez, *Member*

DISTRICT ADMINISTRATORS

Mohammad Z. Islam, *Interim Superintendent*
Jasmin Valenzuela, *Associate Superintendent, Elementary Instruction*
Edward D'Souza, *Associate Superintendent, Secondary Instruction*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Financial Advisor

Dolinka Group, LLC
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2015 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 2015 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 2015 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 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and APPENDIX H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2015 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2015 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2015 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 Underwriter.

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(County of San Bernardino, California)
General Obligation Bonds,
Election of 2010, Series 2015
(Federally Taxable)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2015 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $32,015,000 aggregate principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable) (the "Series 2015 Bonds"), 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 2015 Bonds. Quotations from and summaries and explanations of the Series 2015 Bonds and the resolution of the Board of Education of the District providing for the issuance of the Series 2015 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 2015 Bonds.

Copies of documents referred to herein and information concerning the Series 2015 Bonds are available from the District by contacting: Rialto Unified School District, 182 East Walnut Avenue, Rialto, California 92376-3598, Attention: Interim 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 55 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 26,299 students for grades K-12.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

THE SERIES 2015 BONDS

Authority for Issuance; Purpose

The Series 2015 Bonds are issued under the provisions of California Government Code Section 53506 *et seq.,* including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on January 7, 2015.

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 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%.

On March 17, 2011, the District issued $26,932,186.85 aggregate initial principal amount of its General Obligation Bonds, Election of 2010, Series 2011A and $9,695,000 aggregate principal amount of its General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds) as its first and second series of bonds to be issued under the 2010 Authorization. The Series 2011A Bonds and Series 2011B Bonds were issued to finance and refinance authorized projects.

The Series 2015 Bonds represent the third series of the authorized bonds to be issued under the 2010 Authorization and are locally recognized as the Measure Y Series C issuance. The Series 2015 Bonds will be issued to finance the projects authorized under the 2010 Authorization. See "*−Application and Investment of Series 2015 Bond Proceeds"* herein.

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, Build America Mutual Assurance Company will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. See "BOND INSURANCE" herein.

Form and Registration

The Series 2015 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2015 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 securities depository of the Series 2015 Bonds. Purchases of Series 2015 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2015 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 2015 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2015 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 February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2015, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2015 Bond shall bear interest from the Interest Payment 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 Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2015 Bond, interest is in default on any outstanding Series 2015 Bonds, such Series 2015 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2015 Bonds.

Payment of Series 2015 Bonds. The principal of the Series 2015 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity. Interest on the Series 2015 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment 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 Series 2015 Bonds 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 2015 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption of Series 2015 Bonds. The Series 2015 Bonds maturing on or before August 1, 2025, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2015 Bonds maturing on or after August 1, 2026, 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, 2025, at a redemption price equal to the principal amount of the Series 2015 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Selection of Series 2015 Bonds for Redemption. If less than all of the Series 2015 Bonds are called for redemption, such Series 2015 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2015 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2015 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2015 Bond shall be deemed to consist of individual Series 2015 Bonds of denominations of $5,000 principal amount, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2015 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 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 2015 Bonds and the date of issue of the Series 2015 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2015 Bonds to be redeemed; (vi) if less than all of the Series 2015 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2015 Bonds of each maturity to be redeemed; (vii) in the case of Series 2015 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2015 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2015 Bonds to be redeemed; (ix) a statement that such Series 2015 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 2015 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 2015 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 2015 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 2015 Bonds called for redemption is set aside, the Series 2015 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 2015 Bonds at the place specified in the notice of redemption, such Series 2015 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2015 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2015 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 (the “Interest and Sinking Fund”) or the trust fund established for such purpose. All Series 2015 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 2015 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 2015 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 2015 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 2015 Bonds

The District may pay and discharge any or all of the Series 2015 Bonds by depositing in trust with the Paying Agent for such series 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 2015 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 the Series 2015 Bonds and remaining unclaimed for two years after the principal of all of such series of Series 2015 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 2015 Bond Proceeds

Under California law, the District is generally required to pay all monies received from any source into the County treasury to be held on behalf of the District. The proceeds from the sale of the Series 2015 Bonds, to the extent of the principal amount thereof, 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 2015 Bonds were authorized. Any 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-Tax Collector of the (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX F − "SUMMARY OF COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF BOND POOL" for a description of the permitted investments under the investment policy of the County.

In addition, to the extent permitted by law, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested (i) in the Local Agency Investment Fund in the treasury of the State, (ii) in investment agreements, including guaranteed investment contracts, float contracts or other investment products which will not adversely affect the rating on the Series 2015 Bonds, or (iii) in accordance with Sections 41015 and 41016 of the California Education Code. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

See APPENDIX E – "SUMMARY OF COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL" and APPENDIX F − "SAN BERNARDINO COUNTY INVESTMENT POLICY."

Estimated Sources and Uses of Funds

The proceeds of the Series 2015 Bonds are expected to be applied as follows:

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable)

Estimated Sources and Uses of Funds

<u>Sources of Funds</u>:	
Principal Amount	$32,015,000.00
Total Sources of Funds	$32,015,000.00
<u>Uses of Funds</u>:	
Deposit to Building Fund	$31,429,205.05
Deposit to Interest and Sinking Fund	303,667.73
Costs of Issuance[(1)]	186,082.22
Underwriter's Discount	96,045.00
Total Uses of Funds	$32,015,000.00

(1) Includes legal fees, rating agency fees, bond insurance premium, printing fees and other miscellaneous expenses.

Debt Service

Debt service on the Series 2015 Bonds, assuming no early redemptions, is as shown in the following table.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable)

Year Ending August 1,	Principal	Interest	Total Debt Service
2015	-	$303,667.73	$303,667.73
2016	-	874,563.06	874,563.06
2017	$5,325,000.00	859,970.26	6,184,970.26
2018	3,235,000.00	800,062.06	4,035,062.06
2019	3,205,000.00	739,211.70	3,944,211.70
2020	3,155,000.00	664,823.66	3,819,823.66
2021	3,100,000.00	583,077.60	3,683,077.60
2022	3,035,000.00	493,549.60	3,528,549.60
2023	2,970,000.00	399,525.30	3,369,525.30
2024	2,885,000.00	300,683.70	3,185,683.70
2025	2,790,000.00	198,035.40	2,988,035.40
2026	1,165,000.00	93,466.20	1,258,466.20
2027	1,150,000.00	47,472.00	1,197,472.00
Total	$32,015,000.00	$6,358,108.27	$38,373,108.27

Outstanding Bonds

In addition to the Series 2015 Bonds, the District has outstanding four additional series of general obligation bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2015 Bonds.

At an election held 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 to finance specific construction and modernization projects approved by the voters (the “1999 Authorization”). On June 6, 2000, the District issued its Election of 1999 General Obligation Bonds, Series A (the “Series 2000A Bonds”) in the aggregate principal amount of $19,995,038.25, as the first series of bonds to be issued under the 1999 Authorization. On February 4, 2003, the District issued its General Obligation Bonds, Election of 1999, Series B (the “Series 2003B Bonds”) in the aggregate principal amount of $20,000,000, as the second series of bonds to be issued under the 1999 Authorization. On May 19, 2004, the District issued its General Obligation Bonds, Election of 1999, Series C (the “Series 2004C Bonds”) in the aggregate principal amount of $20,000,000, as the third and final series of bonds to be issued under the 1999 Authorization. On June 5, 2012, the District issued its General Obligation Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) in the aggregate principal amount of $29,865,000, to refund a portion of the series 2003B Bonds and a portion of the Series 2004C Bonds.

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 under 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%. On March 17, 2011, the District issued the Series 2011A Bonds and the Series 2011B Bonds as the District’s first and second series, respectively, issued under the 2010 Authorization, leaving approximately $61.37 million of bonds authorized but unissued under the 2010 Authorization.

A portion of the Series 2011B Bonds were issued as “qualified school construction bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), and the District expects to receive a cash subsidy payment from the United States Treasury (the “Treasury”) equal to a portion of the interest due on each interest payment date on such Series 2011B Bonds. The subsidy does not constitute a full faith and credit guarantee of the United States with respect to such Series 2011B Bonds, but, assuming the District satisfies the requirements of the Internal Revenue Code of 1986, is required to be paid by the Treasury under the Recovery Act. 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 Board of Supervisors of County is empowered and 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 2011B 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 the effect of future legislative or policy changes or tax liabilities of the District on the amount or receipt of the subsidy payments from the Treasury.

A summary of the District’s general obligation bonded debt is set forth on the following page.

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including the Series 2015 Bonds), assuming no early redemptions.

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

Year Ending August 1,	Series 2000A Bonds	Series 2011A Bonds	Series 2011B Bonds[1]	Series 2012 Refunding Bonds	Series 2015 Bonds	Aggregate Total Debt Service
2015	$1,661,840.10	-	$516,707.46	$2,712,606.26	$303,667.73	$5,194,821.55
2016	1,660,774.40	-	516,707.46	2,707,956.26	874,563.06	5,760,001.18
2017	1,662,018.75	-	516,707.46	2,706,956.26	6,184,970.26	11,070,652.73
2018	1,661,729.85	-	516,707.46	2,706,956.26	4,035,062.06	8,920,455.63
2019	1,660,000.00	-	796,707.46	2,709,156.26	3,944,211.70	9,110,075.42
2020	1,662,184.80	-	1,096,923.46	2,703,356.26	3,819,823.66	9,282,288.18
2021	1,661,941.25	-	1,405,507.46	2,695,106.26	3,683,077.60	9,445,632.57
2022	1,659,141.75	-	1,721,139.46	2,692,356.26	3,528,549.60	9,601,187.07
2023	1,662,578.00	-	2,027,499.46	2,694,606.26	3,369,525.30	9,754,209.02
2024	1,659,806.00	-	2,354,059.46	2,686,656.26	3,185,683.70	9,886,205.42
2025	1,660,000.00	-	2,678,707.46	2,679,000.02	2,988,035.40	10,005,742.88
2026	-	$4,175,000.00	315,387.46	2,681,325.02	1,258,466.20	8,430,178.68
2027	-	4,810,037.50	-	2,671,050.02	1,197,472.00	8,678,559.52
2028	-	6,565,037.50	-	1,340,325.00	-	7,905,362.50
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:	$18,272,014.90	$156,385,328.35	$14,462,761.52	$36,387,412.66	$38,373,108.27	$263,880,625.70

(1) The District expects to receive a cash subsidy payment from the United States Treasury equal to a portion of the interest due on each interest payment date on the portion of the Series 2011B Bonds designated as "qualified school construction bonds." See "– Outstanding Bonds" above. Amounts shown do not take into account the receipt of any subsidy payments.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2015 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 2015 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2015 Bonds.

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 county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district 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, as *ex officio* treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District had a 2013-14 assessed value of $5,910,941,492 and has a 2014-15 assessed value of $6,395,820,692. 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.

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. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below.

Under the State 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.

Shown in the following table is the assessed valuation of the various classes of property in the District in fiscal years 2004-05 through 2014-15.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Assessed Valuations
Fiscal Years 2004-05 through 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total
2004-05	$3,891,132,777	$5,785,742	$243,651,523	$4,140,570,042
2005-06	4,452,330,026	5,375,603	256,823,380	4,714,529,009
2006-07	5,348,163,842	5,139,270	276,168,125	5,629,471,237
2007-08	6,205,358,181	3,004,092	351,921,526	6,560,283,799
2008-09	6,250,762,989	3,002,209	384,352,229	6,638,117,427
2009-10	5,470,937,654	3,776,982	404,898,150	5,879,612,786
2010-11	5,116,956,930	3,789,700	384,837,952	5,505,584,582
2011-12	5,151,124,349	3,818,009	351,269,663	5,506,212,021
2012-13	5,246,718,901	3,819,258	399,336,562	5,649,874,721
2013-14	5,547,093,026	3,817,028	360,031,438	5,910,941,492
2014-15	5,986,625,515	2,149,197	407,045,980	6,395,820,692

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. See also *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below.

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 or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), 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 county 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 county 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 County assessor's office, 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 – Limitations on Revenues" 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 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2014-15 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $159.9 million and its net bonding capacity is approximately $89.5 million (taking into account current outstanding debt before issuance of the Series 2015 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 Jurisdiction. The following table describes the percentage and value of the total assessed value of the District that resides in the cities of Colton, Fontana, Rialto and San Bernardino and unincorporated portion of the County.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
2014-15 Assessed Valuation by Jurisdiction[1]

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Colton	$ 401,130,710	6.27%	$2,793,113,366	14.36%
City of Fontana	255,415,726	3.99	$15,224,456,851	1.68%
City of Rialto	4,835,549,546	75.60	$6,451,926,487	74.95%
City of San Bernardino	514,885,831	8.05	$11,298,116,184	4.56%
Unincorporated San Bernardino County	388,838,879	6.08	$28,646,389,447	1.36%
Total District	$6,395,820,692	100.00%		
San Bernardino County	$6,395,820,692		$178,617,832,417	3.58%

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2014-15 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)
2014-15 Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% of Total
Non-Residential:						
Commercial	$ 405,902,016	6.78%	452	1.52%	433	1.48%
Professional Office	67,550,468	1.13	62	0.21	62	0.21
Industrial	771,315,123	12.88	230	0.77	210	0.72
Recreational	11,104,101	0.19	20	0.07	20	0.07
Government/Social/Institutional	11,608,144	0.19	160	0.53	110	0.38
Miscellaneous	8,527,282	0.14	272	0.91	152	0.52
Subtotal Non-Residential	$1,276,007,134	21.31%	1,196	4.00%	987	3.38%
Residential:						
Single Family Residence	$3,850,459,314	64.32%	22,880	76.45%	22,813	78.03%
Condominium/Townhouse	150,191,067	2.51	1,063	3.55	1,063	3.64
Mobile Home	76,451,557	1.28	2,418	8.08	2,411	8.25
Mobile Home Park	66,775,585	1.12	34	0.11	34	0.12
2-4 Residential Units	99,244,340	1.66	504	1.68	488	1.67
5+ Residential Units/Apartments	128,126,433	2.14	107	0.36	97	0.33
Miscellaneous Residential Improvements	1,154,218	0.02	31	0.10	29	0.10
Subtotal Residential	$4,372,402,514	73.04%	27,037	90.34%	26,935	92.13%
Vacant Parcels	$ 338,215,867	5.65%	1,695	5.66%	1,314	4.49%
TOTAL	$5,986,625,515	100.00%	29,928	100.00%	29,236	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 2014–15.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
2014-15 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	22,813	$3,850,459,314	$168,784	$166,073

2014-15 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	50	0.219%	0.219%	$ 911,396	0.024%	0.024%
$25,000 - $49,999	971	4.256	4.476	38,175,655	0.991	1.015
$50,000 - $74,999	871	3.818	8.294	53,910,645	1.400	2.415
$75,000 - $99,999	1,201	5.265	13.558	106,920,245	2.777	5.192
$100,000 - $124,999	2,333	10.227	23.785	265,356,095	6.892	12.084
$125,000 - $149,999	3,564	15.623	39.407	491,229,900	12.758	24.841
$150,000 - $174,999	3,716	16.289	55.696	603,808,120	15.681	40.523
$175,000 - $199,999	3,220	14.115	69.811	602,651,711	15.651	56.174
$200,000 - $224,999	2,437	10.683	80.494	515,737,717	13.394	69.568
$225,000 - $249,999	1,866	8.180	88.673	441,781,144	11.473	81.042
$250,000 - $274,999	1,274	5.585	94.258	332,198,300	8.627	89.669
$275,000 - $299,999	763	3.345	97.602	217,449,104	5.647	95.317
$300,000 - $324,999	309	1.354	98.957	95,809,364	2.488	97.805
$325,000 - $349,999	153	0.671	99.627	51,254,499	1.331	99.136
$350,000 - $374,999	52	0.228	99.855	18,615,851	0.483	99.620
$375,000 - $399,999	18	0.079	99.934	6,995,163	0.182	99.801
$400,000 - $424,999	6	0.026	99.961	2,443,031	0.063	99.865
$425,000 - $449,999	2	0.009	99.969	885,176	0.023	99.888
$450,000 - $474,999	0	0.000	99.969	0	0.000	99.888
$475,000 - $499,999	0	0.000	99.969	0	0.000	99.888
$500,000 and greater	7	0.031	100.000	4,326,198	0.112	100.000
Total	22,813	100.000%		$3,850,459,314	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 fiscal year 2014-15 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 2014-15 Local Secured Taxpayers

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	Percent of Total[(1)]
1.	Target Corporation	Industrial	$233,284,759	3.90%
2.	Prologis-A4/Prologis-MacQuarie	Industrial	131,852,920	2.20
3.	100 Cedar Avenue LLC	Industrial	45,547,016	0.76
4.	Toys R Us-Delaware Inc.	Industrial	41,600,603	0.69
5.	Glen Helen Parkway LLC	Industrial	35,851,556	0.60
6.	Staples the Office Superstore Inc.	Industrial	32,928,914	0.55
7.	AMB Property LP	Industrial	25,798,333	0.43
8.	1364 Rialto Avenue LLC	Industrial	24,452,984	0.41
9.	My Montecito III	Apartments	24,102,363	0.40
10.	PRP Investors-Fontana LLC	Medical Offices	23,471,101	0.39
11.	Wal-Mart Realty Company	Commercial	20,794,746	0.35
12.	Lennar Lytle LLC	Undeveloped	16,135,172	0.27
13.	TPRF III/Rialto Industrial LLC	Industrial	14,692,181	0.25
14.	San Gabriel Valley Water Co.	Water Company	13,645,938	0.23
15.	EMS Family LP	Shopping Center	13,235,146	0.22
16.	Arbor Terrace Community Partners LP	Apartments	12,877,198	0.22
17.	USP Ground Freight Inc.	Undeveloped	12,592,541	0.21
18.	HD Development Maryland Inc.	Commercial	12,162,467	0.20
19.	Pusan Pipe America Inc.	Industrial	12,136,601	0.20
20.	Rialto Properties I	Supermarket	11,902,112	0.20
			$759,064,651	12.68%

[(1)] 2014-15 local secured assessed valuation: $5,986,625,515
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

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 2015 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 2015 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 2015 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 five fiscal years in a typical Tax Rate Area of the District (TRA 6-000). This Tax Rate Area comprises approximately 19.01% 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 6-000)
Fiscal Years 2010-11 Through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Rialto Unified School District	.0788	.0856	.0736	.0704	.0655
San Bernardino Community College District	.0467	.0373	.0459	.0419	.0393
San Bernardino Valley Municipal Water	.1650	.1650	.1625	.1625	.1625
Total All Property Tax Rate	$1.2905	$1.2879	$1.2820	$1.2748	$1.2673

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2015 Bonds to be approved by at least 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 such 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 2015 Bonds, the District projects that the maximum tax rate required to repay the Series 2015 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 2015 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 2015 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-tax collector 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-tax collector.

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-tax collector 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-tax collector 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 *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. effective December 1, 2014 for debt issued as of December 2, 2014. 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

2014-15 Assessed Valuation: $6,395,820,692

	% Applicable	Debt as of 12/1/2014
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.016%	$ 21,164
San Bernardino Community College District	11.390	49,681,488
Rialto Unified School District	100.000	70,418,172[1]
City of Colton Community Facilities Districts	100.000	1,265,664
City of Fontana Community Facilities District No. 4	100.000	45,000
City of Rialto Community Facilities District	100.000	7,280,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$128,711,488
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	3.582%	$16,840,236
San Bernardino County Pension Obligation Bonds	3.582	16,326,638
San Bernardino County Flood Control District General Fund Obligations	3.582	3,482,779
Rialto Unified School District Certificates of Participation	100.000	6,250,000
City of Colton General Fund and Pension Obligation Bonds	14.361	5,276,145
City of Fontana Certificates of Participation	1.678	746,374
City of Rialto Certificates of Participation	74.947	2,034,811
City of San Bernardino General Fund Obligations and Pension Obligation Bonds	4.557	2,687,318
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$53,644,301
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$108,763,511
COMBINED TOTAL DEBT		$291,119,300[2]

(1) Excludes Series 2015 Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($70,418,172) 1.10%
Total Direct and Overlapping Tax and Assessment Debt 2.01%
Combined Direct Debt ($76,668,172) 1.20%
Combined Total Debt 4.55%

Ratios to Redevelopment Incremental Valuation ($1,907,974,148):
Total Overlapping Tax Increment Debt 5.70%

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information and the specimen of the Policy attached as Appendix H hereto have been furnished by BAM for use in this Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The District has not made any independent investigation of BAM or the Policy, and reference is made to the information set forth below and in Appendix H hereto for a description thereof.

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com**.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at **www.standardandpoors.com**. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2015 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2015 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2015 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2015 Bonds, nor does it guarantee that the rating on the Series 2015 Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $475.7 million, $26.9 million and $448.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at **www.buildamerica.com**, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at **buildamerica.com/creditinsights/**.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Series 2015 Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Series 2015 Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2015 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2015 Bonds, whether at the initial offering or otherwise.

TAX MATTERS

Interest on the Series 2015 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel") is of the opinion that interest on the Series 2015 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 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 2015 Bonds that acquire their Series 2015 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 U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal 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 U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors 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 2015 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, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2015 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2015 Bonds pursuant to this offering for the issue price that is applicable to such Series 2015 Bonds (i.e., the price at which a substantial amount of the Series 2015 Bonds are sold to the public) and who will hold their Series 2015 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 2015 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 2015 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2015 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 2015 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2015 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2015 Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2015 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015 Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2015 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.

Series 2015 Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2015 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2015 Bond.

Sale or Other Taxable Disposition of the Series 2015 Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Series 2015 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 2015 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 2015 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2015 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2015 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2015 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2015 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 2015 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments on the Series 2015 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2015 Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2015 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2015 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding.

A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Series 2015 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Series 2015 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. federal withholding tax provided that the beneficial owner of the Series 2015 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 Series 2015 Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," 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 2015 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 2015 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 2015 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. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2015 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 2015 Bond or a financial institution holding the Series 2015 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. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2015 Bonds and sales proceeds of Series 2015 Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain "pass-thru" payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2015 Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2015 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2015 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 the Series 2015 Bonds at the time of issuance 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 the provisions of the California Financial Code, the Series 2015 Bonds are legal investments for commercial banks in California to the extent that the Series 2015 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2015 Bonds 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 the Series 2015 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 2014-15 fiscal year (which is due no later than April 1, 2016) 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 Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

For fiscal year 2009-10, the District failed to file annual reports or failed to file certain portions of its annual reports in a timely manner as required by its undertakings entered into in connection with the issuance of its Series 2000A Bonds, Series 2003B Bonds and Series 2004C Bonds, and the District did not file notice of its failure to timely file such annual reports or portions thereof. In addition, the District did not timely file notice of certain notice events relating to rating changes. The District self-reported to the U.S. Securities and Exchange Commission (the "SEC") under the SEC's Municipal Continuing Disclosure Cooperation Initiative ("MCDC Initiative") with respect to certain of its statements in prior official statements regarding the District's compliance with its prior continuing disclosure undertakings pursuant to the Rule. The District is working to put in place formal policies and procedures, and provide continuing disclosure training, to enhance ongoing compliance with its continuing disclosure undertakings in the future. The District has also contracted a third party to assist the District with its continuing disclosure obligations.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2015 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 2015 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 2015 Bonds or District officials who will sign certifications relating to the Series 2015 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2015 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

Standard & Poor's Rating Services ("S&P") and Moody's Investors Service have assigned underlying ratings of "A" and "A1", respectively, to the Series 2015 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 2015 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 2015 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2015 Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

In addition, S&P is expected to assign its ratings of "AA" to the Series 2015 Bonds with the understanding that, upon delivery of the Series 2015 Bonds, the Policy will be issued by the Insurer. See "BOND INSURANCE." Such rating is expected to be assigned solely as a result of the issuance of the Policy and would reflect only the rating agency's views of the claims-paying ability and financial strength of the Insurer. Neither the Underwriter nor the District has made any independent investigation of the claims-paying ability of the Insurer and no representation is made that any insured rating of the Series

2015 Bonds based upon the purchase of the Policy will remain the same. The existence of the Policy will not, of itself, negatively affect the underlying ratings. Without regard to any bond insurance, the Series 2015 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 of and interest on the Series 2015 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 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 Series 2015 Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2015 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2015 Bonds. Dolinka Group, LLC is acting as the District's financial advisor with respect to the Series 2015 Bonds. Payment of the fees and expenses of the District's financial advisor is also contingent upon the sale and delivery of the Series 2015 Bonds.

Underwriting

The Series 2015 Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. (the "Underwriter") pursuant to the terms of a bond purchase contract executed on March 10, 2015, by and between the District and the Underwriter (the "Purchase Contract"). The Underwriter has agreed to purchase the Series 2015 Bonds at a price of $31,918,955 (which represents the aggregate principal amount of the Series 2015 Bonds, and less underwriter's discount in the amount of $96,045.00). The Purchase Contract provides that the Underwriter will purchase all of the Series 2015 Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2015 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 Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2015 Bonds. Quotations from and summaries and explanations of the Series 2015 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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 2015 Bonds.

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

RIALTO UNIFIED SCHOOL DISTRICT

By: /s/ Mohammad Z. Islam
Interim 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 2015 Bonds is payable from the general fund of the District or from State revenues. The Series 2015 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 of San Bernardino on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2015 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

Rialto Unified School 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 55 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 26,299 students for grades K-12.

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
Edgar Montes	President	December 2018
Nancy G. O'Kelley	Vice President	December 2016
Dina Walker	Clerk	December 2018
Joseph Ayala	Member	December 2016
Joseph W. Martinez	Member	December 2016

Interim Superintendent and Business Services Personnel

The Interim Superintendent of the District is appointed by the Board and reports to the Board. The Interim 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 Interim Superintendent is set forth below.

Mohammad Z. Islam, Interim Superintendent. Mr. Islam began his career in public education in 1988 as an Accounting Manager. He then served in the positions of Director, Business Services Administrator, Assistant Superintendent of Business, Chief Business and Financial Associate, Associate Superintendent of Business and now as an Interim Superintendent from August 2013 to present. Mr. Islam received a Bachelor of Science Degree (B.S.) in Accounting and a Master of Business Administration (M.B.A.) in Management from the Woodbury University in Burbank, California. He also holds a Chief Business Official's Professional Designation Certificate from the Association of California School Administrators (ACSA).

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 in accordance with the Local Control Funding Formula (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 83.6% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $202.6 million for fiscal year 2014-15. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "− Allocation of State Funding to School District; Local Control Funding Formula – *Attendance and LCFF"* and " – Other District Revenues – *Other State Revenues"* below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and 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.

The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system (the "Local Control Funding Formula" or "LCFF"). The LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

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 State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State 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 State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State 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 State 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 fiscal year 2014-15 State budget on June 20, 2014.

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 State 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, 2009 and 2011 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, 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 apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State 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 2015 Bonds, and the District takes no responsibility for informing owners of the Series 2015 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.

2014-15 State Budget. The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for the State Teachers' Retirement System ("CalSTRS"). The 2014-15 State Budget provides for $109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a $3.9 billion prior year general fund balance from fiscal year 2013-14), $108.0 billion in expenditures and a balance of $450 million in the general fund traditional reserve and $1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were $104.6 billion (which amount includes a $2.4 billion prior year general fund balance from fiscal year 2012-13) and $100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than $10 billion of budgetary debt, including approximately $5 billion to pay down the deferral of payments to schools.

As it relates to K-12 education, the 2014-15 State Budget provides total funding of $76.6 billion ($45.3 billion general fund and $31.3 billion other funds). The 2014-15 State Budget provides Proposition 98 funding for all K-14 education of $60.9 billion for fiscal year 2014-15. Such amount, when combined with an aggregate increase of $4.4 billion from fiscal years 2012-13 and 2013-14 provided for in the 2014-15 State Budget, results in an increase of $10 billion in funding for K-14 education. The 2014-15 State Budget notes that Proposition 98 funding for K-12 education has grown by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Certain budget adjustments for K-12 programs include the following:

- Local Control Funding Formula. An increase of $4.75 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Deferrals. The 2014-15 State Budget repays nearly $4.7 billion in Proposition 98 general funds for K-12 expenses that had been deferred from one year to the next during the economic downturn, leaving an outstanding balance of less than $900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring this remaining deferral balance.

- Independent Study. The 2014-15 State Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates. An increase of $400.5 million in one-time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 High-Speed Internet Access. An increase of $26.7 million in one-time Proposition 98 general funds for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- Career Technical Education Pathways Program. An increase of $250 million in one-time Proposition 98 general funds to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the State Budget Act for fiscal year 2012-13, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

Rainy Day Fund. The 2014-15 State Budget proposed certain constitutional amendments to the Rainy Day Fund on the November 2014 ballot, which proposition was approved by the voters. Such constitutional amendments (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions became effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately $241.2 million, 3% of which is approximately $7.2 million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 858 were in effect for such fiscal year, would be approximately $14.5 million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately $10.5 million, which is less than what would be permitted under SB 858 if SB 858 were in effect. The District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2015 Bonds as and when due.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – *CalSTRS*" herein for more information about CalSTRS and AB 1469.

The complete 2014-15 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 therein, and such information is not incorporated herein by such reference.

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 community 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 State 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, which local redevelopment agencies have now been dissolved (see "− Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. 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 community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds *(California Redevelopment Association v. Matosantos).* On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos.*

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposed 2015-16 State Budget. The Governor released his proposed fiscal year 2015-16 State budget (the "2015-16 Proposed State Budget") on January 9, 2015. The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The 2015-16 Proposed State Budget projects general fund revenues (after transfers to the Rainy Day Fund in the amount of $1.6 billion and $1.2 billion in fiscal year 2014-15 and 2015-16, respectively) in the amount of $108 billion in fiscal year 2014-15 and $113.4 billion in fiscal year 2015-16, which is an additional $2.5 billion and $1 billion in revenues in fiscal years 2014-15 and 2015-16, respectively, as compared to projections from the 2014-15 State Budget. According to the 2015-16 Proposed State Budget, the primary reason for such additional revenues is the higher forecast for the personal income tax and corporation tax, up almost $2.3 billion and $2 billion, respectively. Of the total State general fund revenues and transfers for fiscal year 2015-16, personal income taxes are expected to contribute $75.2 billion (66.3%), sales and use taxes are expected to contribute $25.2 billion (22.2%) and corporation taxes are expected to contribute $10.2 billion (9%). Under the 2015-16 Proposed State Budget, general fund expenditures for fiscal year 2015-16 are $113.3 billion (an increase of $1.5 billion from fiscal year 2014-15 general fund expenditures), of which $47.1 billion (41.6%) is allocated to K-12 education.

The 2015-16 Proposed State Budget proposes to reduce budgetary debt by repaying the remaining $1 billion in deferred payments to school districts and community college districts and making the final payments on the $15 billion in Economic Recovery Bonds borrowed to cover budget deficits since 2002 and the $533 million in mandate reimbursements owed to local governments. Additionally, the 2015-16 Proposed State Budget increases the State's Rainy Day Fund to a total balance of $2.8 billion by the end of fiscal year 2015-16. The 2015-16 Proposed State Budget notes that the passage of the Rainy Day Budget Stabilization Fund Act (Proposition 2) in November 2014 was a significant step toward a long‐term balanced budget. For more information about the Rainy Day Fund, see *"– 2014-15 State Budget – Rainy Day Fund"* above.

Despite the recent budgetary improvements as compared to recent years, the 2015-16 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2015-16 Proposed State Budget observes several risks that the State should plan for, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market in fiscal year 2015-16, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

As it relates to K-12 education, the 2015-16 Proposed State Budget provides Proposition 98 funding of $65.7 billion for fiscal year 2015-16, as well as an additional $2.3 billion and $400 million for fiscal years 2014-15 and 2013-14, respectively. This translates to K-12 Proposition 98 per-pupil expenditures of $9,361 in fiscal year 2014-15 and $9,667 in fiscal year 2015-16. Such amounts are significant increases when compared to recent years, such as the $7,008 provided in fiscal year 2011-12. Total per-pupil expenditures from all sources are projected to be $13,223 in fiscal year 2014-15 and $13,462 in fiscal year 2015-16, including funds provided for prior year "settle-up" obligations. The 2015-16 Proposed State Budget notes that attendance in public schools increased in fiscal years 2013-14 and 2014-15, however, it is projected to decline slightly during 2015-16. For fiscal year 2014-15, K-12 A.D.A. is estimated to be 6,000,733, an increase of 8,166 from fiscal year 2013-14. K-12 A.D.A. is estimated to drop by 585 in fiscal year 2015-16 to 6,000,148.

The 2015-16 Proposed State Budget provides a third-year investment of $4 billion in the Local Control Funding Formula, which is expected to eliminate more than 32% of the remaining funding gap between actual funding and the target level of funding. With respect to K-12 school facilities, the 2015-16 Proposed State Budget acknowledges the ongoing discussion of the State's role, if any, in future school facilities funding and notes several problems with the current program that should be addressed in any future plan. While such discussion is ongoing, the 2015-16 Proposed State Budget dedicates $273.4 million in one time Proposition 98 general fund resources to the Emergency Repair Program to fund all remaining Emergency Repair Program projects. The 2015-16 Proposed State Budget also includes reforms and investments relating to adult education, the implementation of Common Core standards, and energy efficiency (Proposition 39).

Certain workload adjustments for K-12 programs included in the 2015-16 Proposed State Budget include the following:

- K-12 Deferrals. An increase of almost $900 million in one‑time Proposition 98 general funds in fiscal year 2014‑15 to eliminate all remaining outstanding deferral debt for K‑12. Inter‑year deferrals for K‑12 had reached a high of $9.5 billion in fiscal year 2011‑12.

- Emergency Repair Program. An increase of $273.4 million in one‑time Proposition 98 general fund resources for the Emergency Repair Program. This funding will retire the state's facilities funding obligation under the terms of an existing lawsuit settlement agreement.

- School District Local Control Funding Formula. Additional growth of approximately $4 billion in Proposition 98 general funds for school districts and charter schools in 2015‑16, an increase of 8.7% from fiscal year 2014-15.

- County Offices of Education Local Control Funding Formula. An increase of $109,000 Proposition 98 general funds to support a cost-of-living adjustment for those county offices of education at their target funding level under the Local Control Funding Formula.

- Charter Schools. An increase of $59.5 million Proposition 98 general funds to support projected charter school A.D.A. growth.

- Special Education. An increase of $15.3 million Proposition 98 general funds to reflect a projected increase in Special Education A.D.A.

- Cost-of-Living Adjustment Increases. An increase of $71.1 million to support a 1.58% cost‐of‐living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost‐of‐living adjustments for school districts and charters schools are provided within the increases for school district Local Control Funding Formula implementation noted above.

- Local Property Tax Adjustments. A decrease of $11.4 million Proposition 98 general funds for the school district and county office of education in 2014‐15 as a result of higher offsetting property tax revenues. A decrease of $1.7 billion in Proposition 98 general funds for school districts and county offices of education in fiscal year 2015‐16 as a result of increased offsetting local property tax revenues.

- A.D.A. An increase of $197.6 million in fiscal year 2014‐15 for school districts and county offices of education as a result of an increase in projected A.D.A. from the 2014-15 State Budget, and a decrease of $6.9 million in fiscal year 2015‐16 for school districts and county offices of education as a result of projected decline in A.D.A. for fiscal year 2015-16.

- Full-Day State Preschool Slots. An increase of $14.8 million Proposition 98 general funds and $18.8 million non-Proposition 98 general funds to support 4,000 State Preschool slots with full-day wraparound care. These slots were established in the 2014-15 State Budget as of June 15, 2015 (for 15 days in fiscal year 2014-15) and these increases reflect the difference in full-year cost for these slots in fiscal year 2015-16.

The complete 2015-16 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 therein, and such information is not incorporated herein by such reference.

LAO Overview of 2015-16 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2015-16 Proposed State Budget entitled "The 2015-16 Budget: Overview of the Governor's Budget" on January 13, 2015 (the "2015-16 Proposed Budget Overview"), in which the LAO commends the State for preserving budgetary balance. The LAO notes that such balance has been facilitated by the stock market, increased revenues from personal and corporate income taxes, and the Governor's reluctance to propose significant new non-Proposition 98 spending commitments. Further, the LAO is generally supportive of the Governor's priorities and the 2015-16 Proposed State Budget's emphasis on debt repayment, which the LAO expects to place the State on even stronger fiscal footing. The LAO also notes that fiscal year 2014-15 revenues could be significantly higher than the projections in the 2015-16 Proposed State Budget. Nevertheless, what might happen to State revenues thereafter is uncertain and the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests that weak growth in an upcoming year could make it difficult to sustain the State's spending level, particularly, the higher level of school spending, and therefore, larger reserves would be desirable.

With respect to the Proposition 98 budget plan in the 2015-16 Proposed State Budget, the LAO states that the Proposition 98 budget plan provides a reasonable mix of programmatic funding increases and pay downs of outstanding obligations. The LAO commends the proposal to eliminate K-14 budgetary deferrals, and recognizes that the use of new funding for one-time purposes helps the State minimize any future disruption in school funding as a result of revenue volatility or an economic slowdown. The LAO, however, observes that the Proposition 98 minimum guarantee in fiscal years 2014-15 and 2015-16 will be sensitive to changes in general fund revenues and could experience large swings over the coming months. Thus, the LAO cautions against committing all available 2015-16 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2015-16 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 therein, and such information is not incorporated herein by such reference.

***Changes in State Budget*.** The final fiscal year 2015-16 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2015-16 State budget from the 2015-16 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2015-16 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2015-16 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

***Future Budgets and Budgetary Actions*.** The District cannot predict what future actions will be taken 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 beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was 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. The base revenue limit was 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 was 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 increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received 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 were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant (“Base Grant”) per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency, equivalent to $7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows: $6,845 for grades K-3, $6,947 for grades 4-6, $7,154 for grades 7-8 and $8,289 for grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected $25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for “basic aid districts” (now, “community funded districts”), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan (“LCAP”). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2010-11 through 2012-13 for grades K-12. The A.D.A. and enrollment numbers reflected in the following table include special education.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2010-11 Through 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of Average Daily Attendance
2010-11[3]	25,812	27,026	6,451.61
2011-12[4]	25,918	26,724	6,497.05
2012-13[5]	25,582	26,596	6,709.05

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(3) The District had a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which resulted in a funded base revenue limit per unit of A.D.A. of $5,292.71.
(4) The District had a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit per unit of A.D.A. of $5,237.73.
(5) The District had a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit per unit of A.D.A. of $5,294.85.
Source: Rialto Unified School District.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 and 2014-15, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Average Daily Attendance, Enrollment And Targeted Base Grant
Fiscal Years 2013-14 Through 2014-15

		A.D.A./Base Grant					Enrollment[5]	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Percent of EL/LI Students
2013-14	A.D.A.[2]:	7,899	5,884	4,015	7,886	25,685	26,468	84.7%
	Targeted Base Grant[3]:	7,675	7,056	7,266	8,638	--	--	--
2014-15[1]	A.D.A.[2]:	7,819	5,825	3,975	7,807	25,657	26,233[6]	84.4%
	Targeted Base Grant[3][4]:	7,740	7,116	7,328	8,712	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 and 2014-15.
(4) Fiscal year 2014-15 targeted Base Grant amounts reflect a 0.85% cost of living adjustment from fiscal year 2013-14 targeted Base Grant amounts.
(5) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(6) The District believes the decline in enrollment in recent years is the result of the economic and real estate market downturn and a lower birthrate in the District's service area. Although such decline may continue, the District anticipates recovering some of the student enrollment lost in recent years as the local economy improves and creates demand for housing and housing development in the District's service area. The District, nonetheless, cannot provide any assurances that total enrollment will improve in future years or that total enrollment will not continue to decline in future years.
Source: Rialto Unified School District.

The District received approximately $171.0 million in aggregate revenues allocated under the LCFF in fiscal year 2013-14, and projects to receive approximately $198.8 million in aggregate revenues under the LCFF in fiscal year 2014-15 (or approximately 82% of its general fund revenues in fiscal year 2014-15). Such amount includes the supplemental grants and concentration grants projected to be approximately $10.1 million, collectively, in fiscal year 2014-15.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF 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 community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, 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 can be financially beneficial to a community funded district.

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. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, 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 receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received 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 were known as "basic aid districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive the same level of State aid as allotted in fiscal year 2012-13. See *"−Allocation of State Funding to School Districts: Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 4.9% of the District's aggregate revenues allocated under the LCFF, and are projected to be $9.8 million, or 4.0% of total general fund revenues in fiscal year 2014-15.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 6.8% (or approximately $16.6 million) of the District's general fund projected revenues for fiscal year 2014-15.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 5.5% (or approximately $13.4 million) of the District's general fund projected revenues for fiscal year 2014-15. A significant portion of such other State revenues are amounts the District expects to receive 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 projected to be approximately $4.5 million in fiscal year 2014-15.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 5.6% (or approximately $13.6 million) of the District's general fund projected revenues for fiscal year 2014-15.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-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, 2014, 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 former independent auditor, Vavrinek, Trine, Day & Co. LLP, Rancho Cucamonga, California, for fiscal years 2009-10 through 2012-13, and by the District's current independent auditor, Vicenti, Lloyd & Stutzman LLP, Glendora, California, for fiscal year 2013-14.

The change in auditors in fiscal year 2013-14 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the tables below for fiscal years 2009-10 through 2012-13 and for fiscal year 2013-14 are categorized differently. Although historical total revenue and expenditure figures are comparably consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable.

Vicenti, Lloyd & Stutzman LLP and Vavrinek, Trine, Day & Co. LLP have not been not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have neither audited nor 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 table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2009-10 through 2012-13. The table on page A-19 shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal year 2013-14.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2009-10 through 2012-13

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
REVENUES				
Revenue limit sources	$127,809,994	$137,984,725	$137,271,161	$137,956,738
Federal sources	23,998,844	22,221,899	20,555,230	14,340,584
Other State sources	42,435,262	42,655,768	43,723,925	44,065,660
Other local sources	15,290,083	14,335,681	14,368,877	14,731,918
Total Revenues	209,534,183	217,198,073	215,919,193	211,094,900
EXPENDITURES				
Current				
Instruction	129,431,978	131,959,307	132,785,261	126,709,749
Instruction related activities:				
Supervision of instruction	14,605,649	14,145,847	10,388,858	9,671,627
Instructional library, media, and technology	2,922,905	2,747,351	2,888,898	2,890,326
School site administration	16,459,437	15,467,696	15,607,065	15,308,292
Pupil services:				
Home-to-school transportation	3,870,437	4,034,737	4,621,816	4,504,757
Food services	39,467	-	149	282
All other pupil services	11,467,155	12,474,764	13,665,537	13,155,420
General administration:				
Data processing	3,731,675	3,566,756	4,044,336	3,491,419
All other general administration	9,333,715	11,036,701	10,651,580	10,611,841
Plant services	25,395,947	26,537,284	24,707,953	24,768,397
Facility acquisition and construction	224,551	1,747,838	1,905,792	2,003,470
Community services	27,421	13,980	6,527	8,673
Other outgo	986,917	783,023	865,366	987,522
Debt service				
Principal	-	-	-	-
Interest and other	-	3,217	292,020	1,115,268
Total Expenditures	218,497,254	224,518,411	222,431,158	215,227,043
Excess (Deficiency) of Revenues Over Expenditures	(8,963,071)	(7,320,338)	(6,511,965)	(4,132,143)
OTHER FINANCING SOURCES (USES)				
Transfers In	440,243	3,492,675	1,485,172	2,385
Transfers out	(1,467,639)	(1,559,197)	(242,887)	(295,680)
Net Financing Sources (Uses)	(1,027,396)	1,933,478	1,242,285	(293,295)
NET CHANGE IN FUND BALANCES	(9,990,467)	(5,386,860)	(5,269,680)	(4,425,438)
Fund Balance – Beginning	53,395,419	43,404,952	38,018,092	32,748,412
Fund Balance – Ending	$ 43,404,952	$ 38,018,092	$ 32,748,412	$ 28,322,974

Source: District Audited Financial Reports for fiscal years 2009-10 through 2012-13.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2013-14

	Fiscal Year 2013-14
Revenues	
Local control funding formula sources:	
State apportionments	$154,465,409
Local sources	16,574,658
Total local control funding formula sources	171,040,067
Federal sources	13,049,931
Other state sources	22,914,833
Other local sources	13,004,031
Total Revenues	220,008,862
Expenditures	
Instruction	130,033,115
Instruction-related services	26,137,040
Pupil services	20,397,323
Community services	5,246
General admission	14,023,931
Plant services	26,420,569
Other outgo	2,667,286
Debt service	1,051,574
Total Expenditures	220,736,084
Excess (Deficiency) of Revenues Over Expenditures	(727,222)
Other Financing Sources (Uses)	
Interfund transfers In	-
Interfund transfers out	(508,204)
Total Other Financing Sources (Uses)	(508,204)
Net Change in fund balance	(1,235,426)
Fund Balance – Beginning of Year, as Originally Stated	28,322,974
Adjustment for restatement[1]	(1,058,985)
Fund Balance – Beginning of Year, as Restated	27,263,989
Fund Balance – End of Year	$26,028,563

[1] The beginning fund balance of the general fund has been restated to adjust the beginning fund balance for an overstatement of prior years accounts receivable related to State programs.
Source: District Audited Financial Report for fiscal year 2013-14.

The following table shows the general fund balance sheet of the District for fiscal years 2009-10 through 2012-13. The table on page A-21 shows the general fund balance sheet of the District for fiscal year 2013-14.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Summary of General Fund Balance Sheet
Fiscal Years 2009-10 Through 2012-13

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
ASSETS				
Deposits and investments	$14,794,206	$13,512,522	$13,237,807	$29,817,723
Receivables	38,855,139	49,749,609	65,368,936	45,402,159
Due from other funds	594,148	2,567,124	687,800	1,111,226
Prepaid expenses	2,174,012	2,408,599	26,091	46,347
Stores inventories	79,457	70,893	146,756	160,886
Total Assets	$56,496,962	$68,308,747	$79,467,390	$76,538,341
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$11,933,837	$14,847,584	$12,766,171	$14,977,082
Due to other funds	6,853	10,763,286	9,000,117	-
Other current liabilities	-	-	24,920,000	326,285
Deferred revenue	1,151,320	4,679,785	32,690	32,912,000
Total Liabilities	13,092,010	30,290,655	46,718,978	48,215,367
Fund Balances:[(1)]				
Nonspendable	-	2,529,492	252,847	287,233
Restricted	-	12,874,760	11,341,789	6,219,368
Assigned	-	-	-	3,958,256
Unassigned	-	22,613,840	21,153,776	17,858,117
Reserved				
Revolving cash	50,000	-	-	-
Stores inventories	79,457	-	-	-
Prepaid expenditures	2,174,012	-	-	-
Legally restricted balances	16,803,319	-	-	-
Other reservations	-	-	-	-
Unreserved:				
Designated	6,640,222	-	-	-
Undesignated	17,657,942	-	-	-
Total Fund Balances	43,404,952	38,018,092	32,748,412	28,322,974
Total Liabilities and Fund Balances	$56,496,962	$68,308,747	$79,467,390	$76,538,341

[(1)] GASB 54, which became effective for fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Assigned" and "Unassigned."
Source: Rialto Unified School District Audited Financial Reports for fiscal years 2009-10 through 2012-13.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Summary of General Fund Balance Sheet
Fiscal Year 2013-14

	Fiscal Year 2013-14
Assets	
Cash in county treasury	$30,564,375
Cash in revolving fund	80,000
Cash collections awaiting deposit	498,549
Accounts receivable:	
Federal and state governments	33,635,304
Miscellaneous	22,179
Due from other funds	1,071,694
Inventories	79,990
Prepaid expenditures	22,794
Total Assets	$65,974,885
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$16,784,712
Unearned revenue	99,227
Tax and revenue anticipation notes	22,965,000
Due to other funds	97,383
Total Liabilities	39,946,322
Fund Balance	
Nonspendable	182,784
Restricted	8,796,145
Assigned	2,699,205
Unassigned	14,350,429
Total Fund Balance	26,028,563
Total Liabilities and Fund Balance	$65,974,885

Source: Rialto Unified School District Audited Financial Report for fiscal year 2013-14.

District Budget Process and County Review

State law requires school districts to adopt 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 County of San Bernardino Superintendent of Schools.

The county superintendent must review and approve, conditionally 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 the 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 in that fiscal year or in the next succeeding year. 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 its second interim report for fiscal year 2009-10.

The following table summarizes the District's adopted general fund budgets for fiscal years 2012-13 through 2014-15, unaudited actuals for fiscal years 2012-13 and 2013-14 and first interim report for fiscal year 2014-15.

RIALTO UNIFIED SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2012-13 through 2014-15, Unaudited Actuals for Fiscal Years 2012-13 and 2013-14 First Interim Report for Fiscal Year 2014-15

	2012-13 Original Budget	2012-13 Unaudited Actuals(1)	2013-14 Original Budget	2013-14 Unaudited Actuals(2)	2014-15 Original Budget	2014-15 First Interim Report(3)
REVENUES						
Revenue Limit/LCFF Sources	$137,974,585.48	$137,956,739.31	$143,522,529.28	$171,040,067.81	$196,874,956.35	$198,847,070.56
Federal Revenue	16,517,239.00	14,340,584.60	13,442,945.15	13,049,930.87	13,925,867.00	16,622,430.10
Other State Revenue	34,877,190.00	38,799,740.52	38,258,825.49	22,738,699.09	11,607,439.30	13,380,340.96
Other Local Revenue(3)	13,440,615.00	14,731,915.69	14,046,232.00	13,004,028.81	12,393,209.00	13,581,456.69
TOTAL REVENUES	202,809,629.48	205,828,980.12	209,270,531.92	219,832,726.58	234,801,471.35	242,431,298.31
EXPENDITURES						
Certificated Salaries	$95,736,486.67	97,275,606.34	97,990,783.44	101,289,026.81	110,894,575.00	111,045,418.83
Classified Salaries	33,231,005.86	33,475,397.53	32,736,141.72	33,000,392.95	35,222,048.21	35,246,249.98
Employee Benefits	49,668,707.77	45,428,985.99	49,220,210.91	48,035,606.61	51,717,853.20	51,754,763.43
Books and Supplies	7,593,386.75	7,617,680.59	10,960,532.74	8,103,456.23	11,032,869.00	12,868,087.21
Services, Other Operating Expenses	22,735,569.69	23,923,246.70	26,871,897.87	24,360,057.96	28,235,300.90	35,148,680.38
Capital Outlay	-	2,018,088.68	294,000.00	3,453,182.51	1,840,347.99	1,836,880.00
Other Outgo (excluding Direct Support/Indirect Costs)	840,000.00	1,258,750.09	1,649,194.00	3,205,865.55	3,650,907.00	2,674,006.00
Transfers of Direct Support/Indirect Costs	(822,801.00)	(765,404.80)	(1,210,155.00)	(871,505.66)	(1,093,200.00)	(1,093,869.00)
TOTAL EXPENDITURES	208,982,355.74	210,232,351.12	218,512,605.68	220,576,082.96	241,500,701.30	249,480,216.83
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,172,726.26)	(4,403,371.00)	(9,242,073.76)	(743,356.38)	(6,699,229.95)	(7,048,918.52)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	2,385.00	-	24,238.45	-	-
Inter-fund Transfers Out	323,500.00	24,452.00	-	532,441.67	300,027.00	233,529.00
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(323,500.00)	(22,067.00)	-	(508,203.22)	(300,027.00)	(233,529.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(6,496,226.26)	(4,425,438.00)	(9,242,073.76)	(1,251,559.60)	(6,999,256.95)	(7,282,447.52)
BEGINNING BALANCE, as of July 1	19,629,862.87	32,748,411.83	19,635,692.07	28,322,973.83	18,282,292.55	26,028,563.18
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	19,629,862.87	32,748,411.83	19,635,692.07	28,322,973.83	18,292,292.55	26,028,563.18
Other Restatements	-	-	-	(1,058,985.00)	-	-
Adjusted beginning Balance	19,629,862.87	32,748,411.83	19,635,692.07	27,263,988.83	18,282,292.55	26,028,563.18
ENDING BALANCE	$13,133,636.61	$28,322,973.83	$10,393,618.31	$26,012,429.23	$11,283,035.60	$18,746,115.66

(1) Total revenues and total expenditures do not match the District's audited financial statements because the District did not include contributions to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports prior to fiscal year 2013-14, which payment amounted to $5,265,920 in fiscal year 2012-13.
(2) Certain amounts do not match the District's audited financial statements due to the timing of audit adjustments.
(3) Figures are projections.
Source: Rialto Unified School District Adopted general fund budgets for fiscal years 2012-13, 2013-14 and 2014-15; unaudited actuals for fiscal years 2012-13 and 2013-14; and first interim report for fiscal year 2014-15.

District Debt Structure

Long-Term Debt Summary. A schedule of the District's long-term obligations for the year ended June 30, 2014, consisted of the following:

Long-Term Debt	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General Obligation Bonds	$74,372,913	$ -	$2,329,741	$76,702,654	$3,286,841
Capital appreciation interest	11,839,860	3,121,135	946,043	14,014,952	-
Premium on general obligation bonds	2,841,636	-	191,337	2,650,299	-
Total general obligation bonds	89,054,409	3,121,135	3,467,121	88,708,423	-
2006 Certificates of Participation	3,325,000	-	-	3,325,000	150,000
1997 Refunding Certificates of Participation	3,515,000	-	-	3,515,000	440,000
Child Care Facilities Revolving Fund	104,000	-	26,000	78,000	26,000
City of Rialto Redevelopment Agency Loan	5,726,458	-	173,289	5,553,169	92,474
Supplemental Early Retirement Plan (SERP)	4,317,471	-	2,287,531	2,029,940	1,762,070
Early Retirement Incentive	1,026,813	-	158,209	868,604	158,209
Compensated absences	854,520	-	362,396	492,124	-
Other postemployment benefits	6,693,874	808,663	-	7,502,537	-
Total Long Term Debt	$114,617,545	$3,929,798	$6,474,646	$112,072,797	$5,915,594

Source: Rialto Unified School District Audit Financial Report for fiscal year 2013-14.

General Obligation Bonds. Without regard to the issuance of the Series 2015 Bonds, the District has six series of bonds outstanding, 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, 2014:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issued	Redeemed	Bonds Outstanding June 30, 2014
Series 2000A	6/1/2000	2025	4.75-6.25%	$19,995,038	$6,225,726	$ -	$714,741	$5,510,985
Series 2003B	1/24/2003	2027	4.00-6.00%	20,000,000	705,000	-	705,000	-
Series 2004C	5/5/2004	2028	3.00-5.125%	20,000,000	1,450,000	-	710,000	740,000
Series 2011A	3/17/2011	2042	7.35-7.5%	26,932,187	26,932,187	-	-	26,932,187
Series 2011B	3/17/2011	2027	5.28-6.91%	9,695,000	9,695,000	-	-	9,695,000
Series 2012	6/5/2012	2028	2.00-5.00%	29,865,000	29,365,000	-	200,000	29,165,000
					$74,372,913	$ -	$2,329,741	$72,043,172

See also "THE SERIES 2015 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 caused its Certificates of Participation (2006 Capital Project) in the aggregate principal amount of $4,770,000 (the "2006 Certificates") to be executed and delivered. The 2006 Certificates have a maturity date of September 1, 2031 with interest rates varying from 4.0 to 6.0%. The 2006 Certificates mature as follows:

Year Ending June 30,	Principal[1]	Interest	Total
2015	$150,000	$138,975	$288,975
2016	155,000	133,159	288,159
2017	165,000	126,856	291,856
2018	170,000	120,126	290,156
2019	175,000	113,256	288,256
2020 – 2024	1,000,000	447,803	1,447,803
2025 – 2029	1,230,000	207,494	1,437,494
2030 – 2032	280,000	6,475	286,475
Total	$3,325,000	$1,294,174	$4,619,174

On September 19, 1997, the District caused 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, to be executed and delivered. 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. The Refunding Certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$440,000	$144,854	$584,854
2016	455,000	126,165	581,165
2017	480,000	106,176	586,176
2018	500,000	84,856	584,856
2019	525,000	62,372	587,372
2020 – 2024	1,115,000	51,806	1,166,806
Total	$3,515,000	$576,229	$4,091,229

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, 2014, future Child Care Facilities revolving fund payments total $78,000.

Year Ending June 30,	Principal
2015	$26,000
2016	26,000
2017	26,000
Total	$78,000

City of Rialto Redevelopment Agency Loan. During 2005, the District entered into an agreement with the former 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. Historically, the loan has been repaid by the RDA retaining pass-through payments due the

District in amounts noted on the debt served schedule below. However, given the dissolution of redevelopment agencies in California (see "− State Funding of Education; State Budget Process – Dissolution of Redevelopment Agencies"), the RDA has been dissolved and debt service payments are now paid directly to the City of Rialto. Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$92,474	$288,150	$380,624
2016	98,179	284,363	382,542
2017	99,588	280,226	379,814
2018	105,292	275,924	381,216
2019	111,702	271,225	382,927
2020 – 2024	628,230	1,271,9001	1,900,131
2025 – 2029	807,680	1,091,825	1,899,505
2030 – 2034	2,176,323	751,548	2,927,871
2035 – 2038	1,422,955	177,353	1,600,308
Total	5,542,423	$4,692,515	$10,234,938
Premium	10,746		
	$5,553,169		

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. At June 30, 2014, the RDA loan includes an unamortized premium balance of $10,746 with current year amortization of $454.

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 2008-09 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, 2014, the balance remaining was $2,029,940. Future payments are as follows:

Year Ending June 30	Total
2015	$1,762,070
2016	133,935
2017	133,935
Total	$2,029,940

Early Retirement Incentive. The District adopted an early retirement incentive program whereby certain eligible employees are provided cash payments starting in fiscal year 2012-13, for a period of eight years. The cash incentives were provided for 27 employees during the 2011-12 school year. As of June 30, 2014, the balance remaining was $868,604. Future payments are as follows:

Year Ending June 30	Total
2015	$158,208
2016	158,203
2017	158,201
2018	158,197
2019	158,195
2020	77,600
Total	$868,604

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS, CalPERS and APPLE, 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 that provides health and dental benefits to eligible retirees and their spouses. As of June 30, 2014, there were 196 retirees receiving benefits, six terminated plan members entitled to, but not yet, receiving benefits, and 2,021 active plan members who could become eligible to receive benefits in the future. See Note 18 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

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 fiscal year 2007-08.

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, the Rialto Education Association, the local California Service Employees Association and unrepresented employees, as applicable, 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 2010-11, 2011-12, 2012-13 and 2013-14 were $2,768,638, $2,712,273, $3,165,343 and $2,789,736, 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, 2013, the District had an unfunded actuarial accrued liability of $32,656,090. The actuarial assumptions included a discount rate of 5.00%. For more information regarding the actuarial valuation, the District's annual required contribution for fiscal year 2013-14 and the District's net OPEB obligation at June 30, 2014, as well as the basic assumptions upon which the valuation was based, see Note 18 to the District's financial statements attached hereto APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

Tax and Revenue Anticipation Notes. Tax and Revenue Anticipation Notes ("TRANS") are general obligations of the District and are payable from revenues and cash receipts to be generated by the District. TRANS are issued by the District to supplement the District's cash flow when necessary. In February of 2014, the District issued $22,965,000 aggregate principal amount of Tax and Revenue Anticipation Notes through the California School Cash Reserve Program Authority ("CSCRPA"), which matured April 1, 2014. In July of 2013, the District issued $12,330,000 aggregate principal amount of Tax and Revenue Anticipation Notes through CSCRPA, which matured on April 1, 2014. In March of 2014, the District issued $12,330,000 aggregate principal amount of TRANs through CSCRPA, which matured on October 1, 2014.

The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2014-15. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow when necessary.

Labor Relations

As of June 30, 2014, the District employed 1,245 certificated professionals and approximately 852.5 classified full time equivalent employees. For fiscal year 2013-14, the total certificated and classified payrolls were approximately $101.2 million and $33 million, respectively. For fiscal year 2014-15, the District projects total certificated and classified payrolls to be approximately $111 million and $35.2 million, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Rialto Education Association	1,145	June 30, 2017
California Schools Employees Association	800	June 30, 2016

Source: Rialto Unified School District.

Retirement Benefits

The District participates in retirement plans with 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. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 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.

As of June 30, 2013, an actuarial valuation (the "2013 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $74.4

billion, an increase of $3.4 billion from the June 30, 2012 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2013, June 30, 2012 and June 30, 2011, based on the actuarial assumptions, were approximately 67%, 67% and 69%, respectively. 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. The following are certain of the actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2013 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2013 CalSTRS Actuarial Valuation noted that, as of June 30, 2013, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 19.497% over the next 30 years. The 2013 CalSTRS Actuarial Valuation provides that the contribution rate would need to have been raised by 13.382% to a total of 32.879% to amortize the unfunded liability over a 30-year period as of June 30, 2013.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The District's total general fund employer contributions to CalSTRS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $8,394,074, $8,043,381, $7,915,365 and $8,287,805, respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions from to CalSTRS of approximately $9.7 million for fiscal year 2014-15. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-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. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2012, the CalPERS Schools plan had a funded ratio of 75.5% on a market value of assets basis. The funded ratio as of June 30, 2011, June 30, 2010, June 30, 2009 and June 30, 2008 was 78.7%, 69.5%, 65.0% and 93.8%, respectively. According to the actuarial valuation as of June 30, 2012, the latest decline in the funded ratio was because the investment return experienced by CalPERS in fiscal year 2011-12 was less than the assumed 7.5%. 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 such methodology, certain investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

In March of 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2% to 2.4% for safety plans beginning in fiscal year 2012-13. In April of 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS will employ a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District's total general fund employer contributions to CalPERS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $3,639,832, $3,786,813, $3,949,278 and $3,945,583, respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions to CalPERS of approximately $4.2 million for fiscal year 2014-15. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

APPLE. 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% 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 2013-14 amounted to $193,409. Employees required and actual contributions matched that of the employer's.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

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 and CalPERS are more fully described in Note 17 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

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. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

See Note 19 to the District's financial statements attached hereto as Appendix B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

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 2013-14 fiscal year are equal to the allowable limit of $171,025,607, and estimates an appropriations limit for the 2014-15 fiscal year of $195,807,529. 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 *Santa 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-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%, 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.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "–Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 and 2019 tax years. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

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 FINANCIAL MATTERS — State Funding of Education; State Budget Process.”

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 62, 98, 111 and 218, 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, 2014

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RIALTO UNIFIED SCHOOL DISTRICT

SAN BERNARDINO COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2014

RIALTO UNIFIED SCHOOL DISTRICT

AUDIT REPORT
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VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Board of Education
Rialto Unified School District

Opinions

In our opinion, the financial statements listed in the aforementioned table of contents 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 21 to the basic financial statements, in 2014 the Rialto Unified School District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rialto Unified School District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

Board of Education
Rialto Unified School District

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of the Rialto Unified School 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* in considering the Rialto Unified School District's internal control over financial reporting and compliance.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2014

RIALTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

Financial Highlights

- Overall revenues and other financing sources totaled $225.1 million or $7.6 million less than expenditures.

- Overall the District's net assets decreased by $10.8 million or 4.14% over the course of the year.

- The District's total long-term debt obligations decreased by $2.5 million during the current fiscal year. The decrease was a combination of an increase to the net OPEB obligation and a decrease in the Supplemental Early Retirement Plan (SERP) and the General Obligation bonds.

- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was $17 million or 7.7% of total General Fund expenditures.

Student Enrollment and Average Daily Attendance (ADA)

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

Projected Student Enrollment –

- Enrollment has been decreasing since the 2005-06 school year. On average, the District's enrollment has decreased by 185 students over the last five years.

- The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

Projected Student Average Daily Attendance (ADA) –

- The Districts ADA has decreased because of an overall decrease in student enrollment.

- ADA will continue to decline as enrollment is projected to continue decreasing.

- The District has improved its attendance rates over the past five years; the rate has increased from 94.33% in 2009-10 to 96.43% in 2013-14.

Fund Financial Statements

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

The District maintains three classes of funds:

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

Proprietary funds: The proprietary fund category includes enterprise and internal service funds. An enterprise fund operates as a business-type activity, and additional information such as a cash flow statement is presented. Internal service funds report activities that provide supplies and services for the other programs and activities of the District. Proprietary funds are reported in the same manner as the District-wide statements. Currently, the District has one enterprise fund, the Cafeteria Fund, used to operate the District's nutrition service programs.

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

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, deferred outflow of resources, liabilities (current and non-current) and net position (assets, plus deferred outflow of resources, minus liabilities).

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

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

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

The Statement of Net Position for the years ended June 30, 2013 and June 30, 2014 are summarized and analyzed below:

Summary of Statement of Net Position	Governmental Activites 2013-14	Governmental Activites 2012-13	Variance
Non-capital Assets	$ 78,711,799	$ 107,699,745	$ (28,987,946)
Capital Assets	324,668,809	323,339,635	1,329,174
Total Assets	403,380,608	431,039,380	(27,658,772)
Deferred Ouflow of Resources	2,383,669		2,383,669
Current Liabilities (including short-term portion of long-term debt)	47,459,810	53,388,479	(5,928,669)
Long Term Liabilities	106,157,203	114,617,545	(8,460,342)
Total Liabilities	153,617,013	168,006,024	(14,389,011)
Net Position Invested in Capital Assets	225,872,986	233,430,246	(7,557,260)
Net Position Legally Restricted	19,533,011	14,284,006	5,249,005
Net Position Unrestricted	6,741,267	15,319,104	(8,577,837)
Total Net Position	$ 252,147,264	$ 263,033,356	$ (10,886,092)

Statement of Activities

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

The Statement of Activities for the years ended June 30, 2013 and June 30, 2014 are summarized below:

	Governmental Activites		
	2013-14	2012-13	Variance
Revenues			
Program revenues:			
Charges for services	$ 1,113,141	$ 309,739	$ (803,402)
Operating grants and contributions	40,717,342	45,218,086	4,500,744
Capital grants and contributions		3,057,061	3,057,061
General revenues:			
Property Taxes	22,404,831	18,921,452	(3,483,379)
Federal and state aid not restricted	161,882,168	144,635,482	(17,246,686)
Interest and investment earnings	448,882	731,866	282,984
Interagency revenues	1,047,471		(1,047,471)
Miscellaneous	1,383,716	10,647,743	9,264,027
Transfers	(3,805,473)	2,000,000	5,805,473
Total Revenues	225,192,078	225,521,429	329,351
Expenses			
Instruction	132,858,517	137,737,690	4,879,173
Instruction-related services	26,778,513	28,638,040	1,859,527
Pupil services	17,700,683	18,205,496	504,813
Community services	5,351	8,711	3,360
General administration	13,967,656	14,902,990	935,334
Plant services	26,601,925	26,738,766	136,841
Other outgo	2,667,286	1,285,587	(1,381,699)
Debt service - interest	2,732,131	6,174,625	3,442,494
Depreciation (unallocated)	9,562,096	-	(9,562,096)
Total Expenses	232,874,158	233,691,905	817,747
Decrease in net position	(7,682,080)	(8,170,476)	(488,396)
Net Position, beginning of year as originally stated	263,033,356	271,203,832	8,170,476
Cumulative effect of change in accounting principle	(2,145,027)		2,145,027
Adjustment for restatement	(1,058,985)		1,058,985
Net Position, beginning of the year, after cumulative effect	259,829,344	271,203,832	11,374,488
Net Position, end of year	$ 252,147,264	$ 263,033,356	$ 10,886,092

Statement of Activities (continued)

- Total revenues increased by $329,351 between fiscal years. The increase is a result of Federal and State aide, the majority arising from the Local Control Funding Formula (LCFF). The increase is offset by a decrease of revenue from Operating Grants and Contributions.
- Total expenses decreased in 2013-2014 by $817,747, less than 1%.

General Fund Budget

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. GASB Statement No. 34 requires a budgetary comparison be presented for the General Fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year-end and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Variations between the original and final budget amounts were primarily due to changes in the governance that presides over school district finance. The original budget was developed under the Revenue Limits funding model, however, on June 27, 2013 the Governor signed the State Budget Act, AB110, which adopted the new Local Control Funding Formula. This change in funding caused an unforeseen increase in both the District's revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the District had an increase of $1.3 million invested in capital assets, net of depreciation, in governmental funds, primarily related to the completion of the Culinary and Engineering academies.

Note 16 to the financial statements provides additional information on capital assets. A summary of capital assets net of depreciation at year-end for 2013 and 2014 are presented below:

	Balance June 30, 2014	Balance June 30, 2013
Land	$ 39,752,485	$ 39,752,485
Buildings and improvements	375,135,867	367,845,089
Equipment and vehicles	20,621,196	16,039,537
Construction in progress	30,464,424	31,445,591
Totals at historical cost	465,973,972	455,082,702
Less: accumulated depreciation for		
Buildings and improvements	127,177,447	118,840,966
Equipment and vehicles	14,127,716	12,902,101
Total accumulated depreciation	141,305,163	131,743,067
Governmental capital assets, net	$ 324,668,809	$ 323,339,635

Debt

Notes 8-15 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year-end for 2013 and 2014 is presented below:

	Balance June 30, 2014	Balance June 30, 2013
General obligation bonds, including accreted interest	$ 88,708,423	$ 89,054,409
Certificates of participation	6,840,000	6,840,000
Child care facilities revolving fund	78,000	104,000
City of Rialto redevelopment agency loan	5,553,169	5,726,458
Supplemental early retirement plan	2,029,940	4,317,471
Early retirement incentive	868,604	1,026,813
Compenstated absences	492,124	854,520
Post employment healthcare benefits	7,502,537	6,693,874
	$ 112,072,797	$ 114,617,545

Economic Factors that may Affect the Future

2014-15 STATE BUDGET - The Local Control Funding Formula (LCFF) has increased the funding and resources for all school districts. The new funding model gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students.

To ensure the funds are utilized effectively, the LCFF required the school district to prepare a Local Control Accountability Plan. This plan is a strategic planning and evaluation tool developed amongst the parent, community, and District stakeholders. It intends to increase public transparency and accountability for improving student achievement by utilizing dollars effectively. The Rialto Unified School District LCAP was adopted on June 18, 2014.

The LCFF provides a positive forecast for the future of education; however, the District will have to be strategic and cautious in administering its finances. There is no statutory guaranteed increase in any given year. It is anticipated that it will take eight years to fully fund LCFF. The Department of Finance's Gap funding rate, COLA, and unduplicated pupil count will determine the incremental funding in each of the upcoming years until the school district receives full funding. A conservative approach must be taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

Cash Flow

In 2013-14, the District received a Tax Revenue Anticipation Note (TRAN) in the amount of $35,295,000.

Contacting the District's Financial Management

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

FINANCIAL SECTION

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash in county treasury	$ 43,553,498	$	$ 43,553,498
Cash on hand and in banks		15,526,841	15,526,841
Cash in revolving fund	80,000	700	80,700
Cash collections awaiting deposit	498,549		498,549
Accounts receivable:			
Federal and state governments	33,719,143	1,867,809	35,586,952
Miscellaneous	207,409	1,909,030	2,116,439
Due from other funds	550,416		550,416
Inventories	79,990	380,113	460,103
Prepaid expenditures	22,794		22,794
Land	39,752,485		39,752,485
Construction in progress	30,464,424		30,464,424
Depreciable assets, net	254,451,900	5,180,688	259,632,588
Total Assets	403,380,608	24,865,181	428,245,789
Deferred Outflow of Resources			
Deferred charge on refunding	2,383,669		2,383,669
Total Deferred Outflow of Resources	2,383,669	-	2,383,669
Liabilities			
Accounts payable and other current liabilities	17,804,316		17,804,316
Accrued interest	675,673		675,673
Unearned revenue	99,227		99,227
Due to other funds		550,416	550,416
Tax revenue anticipation notes	22,965,000		22,965,000
Current portion of long-term liabilities:			
Supplemental employee retirement plan	1,762,070		1,762,070
Early retirement incentive	158,209		158,209
Child care facilities revolving fund	26,000		26,000
City of Rialto redevelopment agency loan	92,474		92,474
Certificates of participation	590,000		590,000
General obligation bonds	3,286,841		3,286,841
Non-current portion of long-term liabilities:			
Compensated absences	492,124		492,124
Other postemployment benefits other than pensioı	7,502,537		7,502,537
Supplemental employee retirement plan	267,870		267,870
Early retirement incentive	710,395		710,395
Child care facilities revolving fund	52,000		52,000
City of Rialto redevelopment agency loan	5,460,695		5,460,695
Certificates of participation	6,250,000		6,250,000
General obligation bonds	85,421,582		85,421,582
Total Liabilities	153,617,013	550,416	154,167,429
Net Position			
Invested in capital assets, net of related debt	225,872,886	5,180,688	231,053,574
Restricted for:			
Debt service	5,076,291		5,076,291
Capital projects	5,619,580		5,619,580
Educational programs	8,837,140		8,837,140
Unrestricted	6,741,367	19,134,077	25,875,444
Total Net Position	$ 252,147,264	$ 24,314,765	$ 276,462,029

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

		Program Revenues		Net Revenue (Expense) and Changes in Net Position		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental Activities						
Instruction	$ 132,858,517	$ 587	$ 27,089,727	$ (105,768,203)	$	$ (105,768,203)
Instruction-related services	26,778,513		6,073,244	(20,705,269)		(20,705,269)
Pupil services	17,700,683	(90,298)	3,739,788	(14,051,193)		(14,051,193)
Community services	5,351		1,403	(3,948)		(3,948)
General administration	13,967,656	73,294	2,902,158	(10,992,204)		(10,992,204)
Plant services	26,601,925	677,938	850,752	(25,073,235)		(25,073,235)
Other outgo	2,667,286	451,620	60,270	(2,155,396)		(2,155,396)
Debt service - interest	2,732,231			(2,732,231)		(2,732,231)
Depreciation (unallocated)	9,562,096			(9,562,096)		(9,562,096)
Total Governmental Activities	232,874,258	1,113,141	40,717,342	(191,043,775)	-	(191,043,775)
Business-Type Activities						
Enterprise activities	14,107,337	1,516,845	13,409,353		818,861	818,861
Total Business-Type Activities	14,107,337	1,516,845	13,409,353	-	818,861	818,861
Total School District	$ 246,981,595	$ 2,629,986	$ 54,126,695	(191,043,775)	818,861	(190,224,914)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Property taxes levied for:			
General purposes	16,574,659		16,574,659
Debt service	4,303,008		4,303,008
Other specific purposes	1,527,164		1,527,164
Federal and state aid not restricted to specific purposes	161,882,168		161,882,168
Interest and Investment Earnings	448,982	88,898	537,880
Interagency revenues	1,047,471		1,047,471
Legal settlement		1,845,138	1,845,138
Miscellaneous	1,383,716	117,091	1,500,807
Total General Revenues	187,167,168	2,051,127	189,218,295
Transfer - internal activities	(3,805,473)	3,805,473	-
Total General Revenues and Transfers	183,361,695	5,856,600	189,218,295
Change in net position	(7,682,080)	6,675,461	(1,006,619)
Net Position - Beginning of Year, as Originally Stated	263,033,356	17,639,304	280,672,660
Cumulative effect of change in accounting principle (See note 21)	(2,145,027)		(2,145,027)
Adjustment for restatement (See note 22)	(1,058,985)		(1,058,985)
Net Position - Beginning of Year, After Cumulative Effect	259,829,344	17,639,304	277,468,648
Net Position - End of Year	$ 252,147,264	$ 24,314,765	$ 276,462,029

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	$ 30,564,375	$ 2,681,629	$ 10,307,494	$ 43,553,498
Cash in revolving fund	80,000			80,000
Cash collections awaiting deposit	498,549			498,549
Accounts receivable:				
Federal and state governments	33,635,304		83,839	33,719,143
Miscellaneous	22,179	2,787	182,443	207,409
Due from other funds	1,071,694		97,383	1,169,077
Inventories	79,990			79,990
Prepaid expenditures	22,794			22,794
Total Assets	$ 65,974,885	$ 2,684,416	$ 10,671,159	$ 79,330,460
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 16,784,712	$ 880,261	$ 139,343	$ 17,804,316
Unearned revenue	99,227			99,227
Tax revenue anticipation notes	22,965,000			22,965,000
Due to other funds	97,383	358	520,920	618,661
Total Liabilities	39,946,322	880,619	660,263	41,487,204
Fund Balance				
Nonspendable	182,784			182,784
Restricted	8,796,145	1,803,797	9,608,742	20,208,684
Assigned	2,699,205		402,154	3,101,359
Unassigned	14,350,429			14,350,429
Total Fund Balance	26,028,563	1,803,797	10,010,896	37,843,256
Total Liabilities and Fund Balance	$ 65,974,885	$ 2,684,416	$ 10,671,159	$ 79,330,460

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances – governmental funds		$ 37,843,256
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 39,752,485	
Construction in progress	30,464,424	
Depreciable assets, net	254,451,900	
Total capital assets		324,668,809
Long-term liabilities, including bonds payable, are not due and payable In the current period and, therefore, are not reported in the funds.		
Compensated absences payable	(492,124)	
Other postemployment benefits other than pensions (OPEB)	(7,502,537)	
Supplemental employee retirement plan	(2,029,940)	
Early retirement incentive	(868,604)	
Child care facilities revolving fund	(78,000)	
City of Rialto redevelopment agency loan	(5,553,169)	
Certificates of participation payable	(6,840,000)	
General obligation bonds payable and related premium	(88,708,423)	
Less: deferred charges on refunding bonds	2,383,669	
Total long-term liabilities		(109,689,128)
Interest expense related to certificates of participation and general obligation bonds payable was incurred but not accrued through June 30, 2014.		(675,673)
Total net position – governmental activities		$ 252,147,264

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	$ 154,465,409	$	$	$ 154,465,409
Local sources	16,574,658			16,574,658
Total local control funding formula sources	171,040,067	-	-	171,040,067
Federal sources	13,049,931		97,879	13,147,810
Other state sources	22,914,833		2,413,881	25,328,714
Other local sources	13,004,031	22,535	6,776,119	19,802,685
Total Revenues	220,008,862	22,535	9,287,879	229,319,276
Expenditures				
Instruction	130,033,115		2,389,399	132,422,514
Instruction-related services	26,137,040		712,167	26,849,207
Pupil services	20,397,323		50,007	20,447,330
Community services	5,246			5,246
General administration	14,023,931		228,738	14,252,669
Plant services	26,420,569	7,488,942	631,172	34,540,683
Other outgo	2,667,286			2,667,286
Debt service	1,051,574		4,962,137	6,013,711
Total Expenditures	220,736,084	7,488,942	8,973,620	237,198,646
Excess (deficiency) of revenues over expenditures	(727,222)	(7,466,407)	314,259	(7,879,370)
Other Financing Sources (Uses)				
Interfund transfers in			137,799	137,799
Interfund transfers out	(508,204)		(3,435,068)	(3,943,272)
Total Other Financing Sources (Uses)	(508,204)	-	(3,297,269)	(3,805,473)
Net change in fund balance	(1,235,426)	(7,466,407)	(2,983,010)	(11,684,843)
Fund Balance - Beginning of Year, as Originally Stated	28,322,974	9,270,204	12,993,906	50,587,084
Adjustment for restatement (See note 22)	(1,058,985)		-	(1,058,985)
Fund Balance - Beginning of Year, as Restated	27,263,989	9,270,204	12,993,906	49,528,099
Fund Balance - End of Year	$ 26,028,563	$ 1,803,797	$ 10,010,896	$ 37,843,256

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

Net change in fund balances – government funds		$(11,684,843)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.		
Capital outlay	$10,891,270	
Depreciation expense	(9,562,096)	
Excess of capital outlay over depreciation expense		1,329,174
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bond principal payments	2,329,741	
Child care facilities revolving fund	26,000	
City of Rialto redevelopment agency loan	173,289	
Net decrease in supplemental early retirement plan	2,287,531	
Net decrease in early retirement incentive	158,209	
		4,974,770
Some items reported in the statement of activities do not result in or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. These activities consist of:		
Amortization of premium on general obligation bonds	191,337	
Amortization of deferred charges on refunding bonds	(161,605)	
Accreted interest on general obligation bonds	(2,175,092)	
Net increase in accrued interest expense	290,446	
Net decrease in compensated absences	362,396	
Net increase in the other postemployment benefits other than pensions (OPEB) obligation	(808,663)	
Total other items		(2,301,181)
Change in net position – governmental activities		$(7,682,080)

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Assets	
Current assets	
Cash on hand and in banks	$ 15,526,841
Cash in revolving fund	700
Accounts receivable:	
Federal and state governments	1,867,809
Miscellaneous	1,909,030
Inventories	380,113
Total current assets	19,684,493
Noncurrent assets	
Depreciable assets, net	5,180,688
Total noncurrent assets	5,180,688
Total Assets	24,865,181
Liabilities	
Due to other funds	550,416
Total Liabilities	550,416
Net Position	
Invested in capital assets	5,180,688
Unrestricted	19,134,077
Total Net Position	$ 24,314,765

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Operating Revenues	
Child nutrition programs	
Federal sources	$ 13,243,459
State sources	994,141
Subtotal	14,237,600
Food service sales	1,516,845
All other local revenue	117,091
Total Operating Revenues	15,871,536
Operating Expenses	
Classified salaries	3,569,329
Employee benefits	1,386,025
Food and supplies	8,549,074
Services and other operating expenses	495,698
Depreciation	292,688
Other outgo	642,768
Total Operating Expenses	14,935,582
Operating income	935,954
Non-Operating Revenues	
Interest income	88,896
Legal settlement	1,845,138
Interfund transfer in	3,805,473
Total Non-Operating Revenues	5,739,507
Change in net position	6,675,461
Net Position - Beginning of Year	17,639,304
Net Position - End of Year	$ 24,314,765

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Cash Flows from Operating Activities:	
Cash received from operations	$ 14,761,976
Cash paid for operating expenses	(13,984,506)
Net cash provided by operating activities	777,470
Cash Flows from Investing Activities:	
Interest income	88,896
Net cash provided by investing activities	88,896
Cash Flows from Non-Capital Financing Activities:	
Transfer in from funds	3,805,473
Net cash provided by financing activities	3,805,473
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(5,737)
Net cash used by financing activities	(5,737)
Net increase in cash	4,666,102
Cash - July 1, 2013	10,861,439
Cash - June 30, 2014	$ 15,527,541

See the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Business-Type Activities: Enterprise Fund
	Nutrition Services
Operating Income	$ 935,954
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	292,688
Changes in operating assets and liabilities:	
Accounts receivable	(281,313)
Inventory	7,399
Accounts payable	(73,248)
Due to other funds	(104,010)
Total adjustments	(158,484)
Net Cash Provided by Operating Activities	$ 777,470
Cash balances at June 30, 2014 consisted of the following:	
Cash on hand and in banks	$ 15,526,841
Cash in revolving fund	700
Total cash balance at June 30, 2014	$ 15,527,541

See the accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

		Associated Student Body Funds
Assets		
Cash on hand and in banks	$	727,576
Accounts receivable:		
Miscellaneous		10,096
Inventories		11,348
Total Assets		749,020
Liabilities		
Accounts payable		66,586
Funds held in trust		682,434
Total Liabilities	$	749,020

See the accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. BASIS OF PRESENTATION:

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

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

1. Government-wide Financial Statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

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

2. Fund Financial Statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

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

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

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

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

Ancillary services – includes activities that are generally designed to provide students with experiences outside the regular school day.

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

Enterprise activities – includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with self-insurance funds and retiree benefit funds.

General administration – includes data processing services and all other general administration services.

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

Other outgo – includes transfers to other agencies.

Debt service – includes principal and interest payments for long term debt.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING:

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

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

GOVERNMENTAL FUNDS - MAJOR

General Fund - the general operating fund of the District is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR

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

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

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

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

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

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

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

1. Debt Service Fund - used to account for the payment of principal and interest on general long-term debt.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS

Enterprise Fund

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

FIDUCIARY FUNDS

Associated Student Body Fund - used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operates nine organized associated student body funds as well as unorganized associated student body funds at the elementary schools.

C. BASIS OF ACCOUNTING:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. The District has recognized receivables in accordance with this standard, the most notable being for the final P-2 apportionment.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2014, the inventory for supplies is $79,990. The inventory for food is $380,113.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-15 years
Vehicles	2-15 years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

6. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position or fund balance that applied to a future period and thus, will not be recognized as an outflow of resources until then. The District has a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

7. Unearned Revenue

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

8. Compensated Absences

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

9. Long-Term Obligations

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

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

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

10. Net Position

Net position represents the difference between assets and liabilities. Net position 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

11. Fund Balance Classification

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

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

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

12. Spending Order Policy

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

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

13. Minimum Fund Balance Policy:

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

14. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year. See 1 C 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

15. Property Taxes

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. Unsecured property taxes are payable in one installment on or before August 31.

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

16. On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at $5,400,000 for STRS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

17. Contributed Services

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

18. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*.

19. Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY:

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.*

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.

2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

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

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

The following potential component units have been excluded from the District's reporting entity:

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

NOTE 2 - BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2014, $15,305,552 of the District's bank balance of $15,555,552 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	$14,750,000
Uninsured and uncollateralized	555,552
Total	$15,305,552

NOTE 3 - DEPOSITS: (continued)

Cash in County (continued)

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2014, as provided by the County Treasurer, was $43,571,776 as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized cost of the portfolio).

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

NOTE 4 - INTERFUND TRANSACTIONS:

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

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2014 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 1,071,694	$ 97,383
Enterprise Funds:		
Nutrition Services		550,416
Special Revenue Funds:		
Child Development	97,383	520,920
Capital Projects Funds:		
Building		358
Totals	$ 1,169,077	$ 1,169,077

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers

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

Interfund transfers for the 2013-14 fiscal year are as follows:

Transfer from the General Fund to the Nutrition Services Fund for uncollectable student meal accounts	$ 171,054
Transfer from the General Fund to the Nutrition Services Fund to reimburse for costs of custodians	239,767
Transfer from the General Fund to the Child Development Fund for program enhancement	97,383
Transfer from the Special Reserve for Capital Outlay (#40) Fund to the Nutrition Services Fund for capital facilities reserve	3,394,652
Transfer from the County School Facilities Fund (#35) to the Capital Facilities (#25) fund to reimburse the CTE program	35,489
Transfer from the County School Facilities Fund to the Special Reserve for Capital Outlay Fund to transfer residual funds for future projects	4,927
Total	$ 3,943,272

NOTE 5 - FUND BALANCES:

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	$ 80,000	$	$	$ 80,000
Inventory	79,990			79,990
Prepaid expenditures	22,794			22,794
Total Nonspendable	182,784	-	-	182,784
Restricted				
Legally restricted programs	8,796,145		40,995	8,837,140
Debt service			5,751,964	5,751,964
Capital projects		1,803,797	3,815,783	5,619,580
Total Restricted	8,796,145	1,803,797	9,608,742	20,208,684
Assigned				
Unbudgeted positions	1,640,945			1,640,945
Donations carryover	107,406			107,406
Step up carryover	42,308			42,308
Settlement account	119,327			119,327
Equipment replacement	11,000			11,000
Ritz carryover	21,219			21,219
STAR reading	62,000			62,000
Staff development	30,000			30,000
Carpet for schools	200,000			200,000
CNG	400,000			400,000
APEX learning	65,000			65,000
Capital projects			402,154	402,154
Total Assigned	2,699,205	-	402,154	3,101,359
Unassigned				
Economic uncertainties	6,633,255			6,633,255
Unassigned	7,717,174			7,717,174
Total Unassigned	14,350,429	-	-	14,350,429
Total Fund Balances	$ 26,028,563	$ 1,803,797	$ 10,010,896	$ 37,843,256

NOTE 6 - TAX REVENUE ANTICIPATION NOTES:

A. The District issued $32,912,000 of Tax Revenue Anticipation Notes prior to June 30, 2013 through the California School Cash Reserve Program Authority 2013-2014 Bonds, Series C. The notes matured on July 15, 2013 and yielded .20% interest. The notes were sold by the District to supplement its cash flow. The payments were transferred to and set aside in a separate fund of the trustee, U.S. Bank National Association, in a timely manner and the notes were paid in full.

B. The District issued $22,965,000 of Tax Revenue Anticipation Notes dated March 14, 2014 through the California School Cash Reserve Program Authority 2013-2014 Bonds, Series K. The notes mature October 1, 2014 and yield .10% interest. The notes were sold by the District to supplement its cash flow. Repayment requirements are that $22,965,000 and interest be paid by September 30, 2014. All monies are required to remain on deposit until the maturity date of the notes, at which time they will be applied to pay the principal and interest on the notes. A short term liability of $22,965,000 is recorded as of June 30, 2014.

NOTE 7 – OPERATING LEASES:

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

Fiscal Year	Lease Payment
2015	$658,508

Current year expenditures for operating leases are $1,231,839. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 8 – GENERAL OBLIGATION BONDS:

The outstanding general obligation bonded debt of Rialto Unified School District at June 30, 2014 is:

	Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issued	Redeemed	Bonds Outstanding June 30, 2014
1999 Series A	6/1/2000	2025	4.75-6.25%	$ 19,995,038	$ 6,225,726	$ -	$ 714,741	$ 5,510,985
1999 Series B	1/24/2003	2027	4.00-6.00%	20,000,000	705,000	-	705,000	-
1999 Series C	5/5/2004	2028	3.00-5.125%	20,000,000	1,450,000	-	710,000	740,000
2010 Series A	3/17/2011	2042	7.350%	26,932,187	26,932,187	-	-	26,932,187
2010 Series B	3/17/2011	2027	5.280 - 6.911%	9,695,000	9,695,000	-	-	9,695,000
Refunding 2012	5/17/2012	2029	2.00-5.00%	29,865,000	29,365,000	-	200,000	29,165,000
					$74,372,913	$ -	$ 2,329,741	$72,043,172

A. 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.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2012 through 2025. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is $648,171 and accreted interest paid and included as a deduction in the long-term debt schedule is $946,043. The balance of accreted interest at June 30, 2014 is $7,180,266.

B. 1999 General Obligation Bonds, Series B

On May 17, 2012, the District issued the General Obligation Refunding Bonds, Series 2012, in the amount of $29,865,000, to advance refund $14,225,000 of the 1999 General Obligation Bonds, Series B. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. The bonds had an original maturity date of August 1, 2027, with interest rates varying from 4.00-6.00 percent. As of June 30, 2014, the principal balance outstanding is $0.

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. 1999 General Obligation Bonds, Series B (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of $368,915. The amount will be amortized using the straight-line method. Amortization of $77,062 was recognized for fiscal year 2013-14. As of June 30, 2014 the unamortized premium balance is $0.

C. 1999 General Obligation Bonds, Series C

On May 17, 2012, the District issued the General Obligation Refunding Bonds, Series 2012, in the amount of $29,865,000, to advance refund $14,290,000 of the 1999 General Obligation Bonds, Series C. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. The bonds had an original maturity date of August 1, 2028, with interest rates varying from 3.00-5.125 percent. As of June 30, 2014, the principal balance outstanding is $740,000.

D. 2010 General Obligation Bonds, Series 2011A

On March 17, 2011, the District issued capital appreciation bonds and convertible capital appreciation bonds, 2010 General Obligation Bonds, Series 2011A, in order to raise money to finance specific construction, repair and improvement projects and refinance portions of 2006 Certificates of Participation and 1997 Refunding Certificates of participation. The capital appreciation bonds were issued in the amount of $10,043,817 with a maturity date of August 1, 2036, and an interest rate of 7.50 percent. The convertible capital appreciation bonds were issued in the amount of $16,888,370, convertible on August 1, 2026 and a final maturity date of August 1, 2041 at an interest rate of 7.35 percent.

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is $2,472,964. The balance of accreted interest at June 30, 2014 is $6,834,686.

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

D. 2010 General Obligation Bonds, Series 2011A (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of $2,347,592. The amount will be amortized using the straight-line method. Amortization of $78,253 was recognized for fiscal year 2013-14.

E. 2010 General Obligation Bonds, Series 2011B

One March 17, 2011, the District issued the 2010 General Obligation Bonds, Series 2011B in the amount of $9,695,000 in order to raise money to finance specific construction. The bonds have a final maturity date of August 1, 2026, with interest rates varying from 5.28 to 6.91 percent. At June 30, 2014, 2010 General Obligation Refunding Bonds, Series 2011B, totaling $9,695,000 were outstanding.

Proceeds received less than the debt are subtracted to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a discount of $905,246. The amount will be amortized using the straight-line method. Amortization of $71,233 was recognized for fiscal year 2013-14.

F. General Obligation Refunding Bonds, Series 2012

On May 17, 2012, the District issued the $29,865,000 General Obligation Refunding Bonds, Series 2012. The bonds have a final maturity that occurs August 1, 2028, with interest rates from 2.00 to 5.00 percent. The net proceeds of $31,100,676 from the issuance were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C, with the prepayment to occur on August 1, 2013 and August 1, 2014, respectively. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of $2,383,669 remain to be amortized using the straight-line method. At June 30, 2014, the principal balance outstanding on the General Obligation Refunding Bonds, Series 2012 was $29,165,000.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of $1,501,558. The amount will be amortized using the straight-line method. Amortization of $107,254 was recognized for fiscal year 2013-14.

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

F. General Obligation Refunding Bonds, Series 2012 (continued)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2014 are as follows:

Year Ended June 30	Principal	Accreted Interest	Current Interest	Total
2015	$ 2,298,353	$ 988,488	$ 1,597,964	$ 4,884,805
2016	2,288,556	1,027,218	1,549,489	4,865,263
2017	2,296,944	1,065,075	1,499,164	4,861,183
2018	2,311,923	1,099,807	1,438,664	4,850,394
2019	2,348,494	1,131,506	1,367,264	4,847,264
2020-2024	17,279,185	6,146,468	5,069,784	28,495,437
2025-2029	17,508,332	8,101,668	10,576,247	36,186,247
2030-2034	5,366,548	21,092,967	18,825,187	45,284,702
2035-2039	9,005,150	28,649,511	17,627,872	55,282,533
2040-2042	11,339,687	23,055,312	3,990,499	38,385,498
Total	$ 72,043,172	$ 92,358,020	$ 63,542,134	$ 227,943,326

NOTE 9 – 2006 CERTIFICATES OF PARTICIPATION:

In June 2006, Rialto Unified School District Foundation Corporation issued the 2006 Certificates of Participation in the amount of $4,770,000. The Certificates have a final 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, were used to finance the cost of acquisition and improvement of certain school facilities and land.

NOTE 9 – 2006 CERTIFICATES OF PARTICIPATION: (continued)

The annual requirement to amortize the 2006 Certificates of Participation, outstanding as of June 30, 2014, is as follows:

Year Ended June 30	Principal	Interest	Total
2015	$ 150,000	$ 138,975	$ 288,975
2016	155,000	133,159	288,159
2017	165,000	126,856	291,856
2018	170,000	120,156	290,156
2019	175,000	113,256	288,256
2020-2024	1,000,000	447,803	1,447,803
2025-2029	1,230,000	207,494	1,437,494
2030-2032	280,000	6,475	286,475
Total	$ 3,325,000	$ 1,294,174	$ 4,619,174

NOTE 10 – 1997 REFUNDING CERTIFICATES OF PARTICIPATION:

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

NOTE 10 – 1997 REFUNDING CERTIFICATES OF PARTICIPATION: (continued)

As a result, the Certificates were reoffered at $12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. The certificates have a maturity date of September 1, 2027, with an interest rate of 4.65 percent.

The annual requirements to amortize the 1997 Refunding Certificates of Participation , outstanding as of June 30, 2014 are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 440,000	$ 144,854	$ 584,854
2016	455,000	126,165	581,165
2017	480,000	106,176	586,176
2018	500,000	84,856	584,856
2019	525,000	62,372	587,372
2020-2024	1,115,000	51,806	1,166,806
	$ 3,515,000	$ 576,229	$ 4,091,229

NOTE 11 – CHILD CARE FACILITIES REVOLVING FUND:

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchasing 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, 2014, future Child Care Facilities revolving fund payments are:

Year Ended June 30,	Total
2015	$ 26,000
2016	26,000
2017	26,000
Total	$ 78,000

NOTE 12 – CITY OF RIALTO REDEVELOPMENT AGENCY LOAN:

During 2005, the District entered into an agreement with the City of Rialto Redevelopment Agency (RDA) for a loan of $2,717,131 for the purpose of financing the cost of labor and materials for the design, installation and/or construction of a football stadium at Rialto High School. A portion of the proceeds was used to retire the remaining balance owed from an original $1,000,000 loan with the RDA.

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

The RDA has since been dissolved and debt service payments are now paid directly to the City of Rialto. As of June 30, 2014, future minimum loan payments are:

Year Ended June 30,	Principal	Interest	Total
2015	$ 92,474	$ 288,150	$ 380,624
2016	98,179	284,363	382,542
2017	99,588	280,226	379,814
2018	105,292	275,924	381,216
2019	111,702	271,225	382,927
2020-2024	628,230	1,271,901	1,900,131
2025-2029	807,680	1,091,825	1,899,505
2030-2034	2,176,323	751,548	2,927,871
2035-2038	1,422,955	177,353	1,600,308
	5,542,423	$ 4,692,515	$ 10,234,938
Premium	10,746		
	$ 5,553,169		

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. At June 30, 2014 the RDA loan includes and unamortized premium balance of $10,746 with current year amortization of $454.

NOTE 13 – 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, 2014, future payments are as follows:

2015	$1,762,070
2016	133,935
2017	133,935
Total	$2,029,940

NOTE 14 – EARLY RETIREMENT INCENTIVE:

The District adopted an early retirement incentive program where certain eligible employees are provided cash payments starting in 2012-2013, for a period of eight years. The cash incentives were provided for 27 employees during the 2011-2012 school year. As of June 30, 2014, future payments are as follows:

2015	$ 158,208
2016	158,203
2017	158,201
2018	158,197
2019	158,195
2020	77,600
Total	$ 868,604

NOTE 15 – LONG-TERM DEBT – SCHEDULE OF CHANGES:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due in One Year
General Obligation Bonds	$ 74,372,913	$	$ 2,329,741	$ 76,702,654	$ 3,286,841
Capital appreciation interest	11,839,860	3,121,135	946,043	14,014,952	
Premium on general obligation bonds	2,841,636		191,337	2,650,299	
Total general obligation bonds	89,054,409	3,121,135	3,467,121	88,708,423	
2006 Certificates of Participation	3,325,000			3,325,000	150,000
1997 Refunding Certificates of Participation	3,515,000			3,515,000	440,000
Child Care Facilities Revolving Fund	104,000		26,000	78,000	26,000
City of Rialto Redevelopment Agency Loan	5,726,458		173,289	5,553,169	92,474
Supplemental Early Retirement Plan	4,317,471		2,287,531	2,029,940	1,762,070
Early Retirement Incentive	1,026,813		158,209	868,604	158,209
Compensated Absences	854,520		362,396	492,124	
Post Employment Healthcare Benefits	6,693,874	808,663		7,502,537	
Total Long Term Debt	$ 114,617,545	$ 3,929,798	$ 6,474,646	$ 112,072,797	$ 5,915,594

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

NOTE 16 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2014 is shown below.

A. Governmental Activities

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets not depreciated:				
Land	$ 39,752,485	$	$	$ 39,752,485
Construction in progress	31,445,591	7,407,436	8,388,603	30,464,424
Total of capital assets not depreciated	71,198,076	7,407,436	8,388,603	70,216,909
Capital assets depreciated:				
Buildings and improvements	367,845,089	7,290,778		375,135,867
Equipment	16,039,537	4,581,659		20,621,196
Total of capital assets depreciated	383,884,626	11,872,437	-	395,757,063
Less accumulated depreciation for:				
Buildings and improvements	(118,840,966)	(8,336,481)		(127,177,447)
Equipment	(12,902,101)	(1,225,615)		(14,127,716)
Total accumulated depreciation	(131,743,067)	(9,562,096)	-	(141,305,163)
Governmental activities capital assets, net	$ 323,339,635	$ 9,717,777	$ 8,388,603	$ 324,668,809

NOTE 16 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES: (continued)

B. Business-Type Activities

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Building and improvements	$ 6,488,991	$	$	$ 6,488,991
Equipment and vehicles	1,871,452	5,737		1,877,189
Totals at historical cost	8,360,443	5,737	-	8,366,180
Less accumulated depreciation for:				
Building and improvements	(1,610,716)	(197,651)		(1,808,367)
Equipment and vehicles	(1,282,088)	(95,037)		(1,377,125)
Total accumulated depreciation	(2,892,804)	(292,688)	-	(3,185,492)
Business type activities capital assets, net	$ 5,467,639	$ (286,951)	$ -	$ 5,180,688

NOTE 17 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, and Sacramento, CA 95826.

NOTE 17 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% 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 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

NOTE 17 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS) (continued)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years are as follows:

	STRS		PERS	
Year Ended June 30,	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	$ 8,043,381	100%	$ 3,786,813	100%
2013	7,915,365	100%	3,949,278	100%
2014	8,287,805	100%	3,945,583	100%

NOTE 18 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) administered by the Rialto Unified School District. The plan provides health and dental benefits to eligible retirees and their spouses. Membership of the Plan consists of 196 retirees currently receiving benefits, six terminated plan members entitled to , but not yet receiving benefits, and 2021 active Plan members.

Funding Policy

The contribution requirement 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 basis financing requirements. For fiscal year ended 2014, the District contributed $2,789,736 to the plan.

NOTE 18 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contributions	$3,717,751
Interest on net OPEB obligation	267,755
Adjustment to annual required contribution	(387,107)
Annual OPEB cost (expense)	3,598,399
Contributions made	(2,789,736)
Increase in net OPEB obligation	808,663
Net OPEB obligation - beginning of year	6,693,874
Net OPEB obligation - end of year	$7,502,537

NOTE 18 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 3,056,355	88.7%	$ 6,252,956
6/30/2013	3,606,261	87.7%	6,693,874
6/30/2014	3,598,399	77.5%	7,502,537

Funding Status and Funding Progress

As of February 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was $32,656,090. The covered payroll (annual payroll of active employees covered by the plan) was $130,534,497 and the ratio of the UAAL to the covered payroll was 25%.

Actuarial valuations of an ongoing benefit 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, 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 postemployment healthcare benefits 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, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 18 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

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, if any, consistent with the long-term perspective of the calculations.

In the February 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, increase by increments to an ultimate rate of 5 percent after 11 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period will expire on June 30, 2038.

NOTE 19 - JOINT POWERS AGREEMENTS:

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

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Rialto Unified School District beyond the District's representation on the governing boards.

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

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

NOTE 19 - JOINT POWERS AGREEMENTS: (continued)

Condensed financial information for the year ended June 30, 2014 is as follows:

	SELF (Unaudited) June 30, 2013	PIPS (Unaudited) June 30, 2013	SoCal ReLiEF (Unaudited) June 30, 2013
Assets	$295,931,235	$295,931,235	$ 51,814,097
Liabilities	161,186,476	161,186,476	30,151,599
Fund Balance	$134,744,759	$134,744,759	$ 21,662,498
Total Revenues	$201,182,650	$201,182,650	$ 29,237,069
Total Expenditures	190,821,296	190,821,296	35,809,193
Net Increase (decrease) in Fund Balance	$ 10,361,354	$ 10,361,354	$ (6,572,124)

NOTE 20 – DEFICIT FUND BALANCE:

The Carter High School Associated Student Body Fund ended the year with a $(43,790) deficit unrestricted fund balance.

NOTE 21 – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

The beginning net position of the government-wide financial statements has been restated by $2,145,027 to write-off the balance of capitalized fees in accordance with the implementation of GASB Statement No. 65. The fees were prepaid general obligation bond issue costs that are now required to be expensed in the period incurred.

NOTE 22 – ADJUSTMENT FOR RESTATEMENT:

The beginning fund balance of the general fund has been restated $(1,058,985) to adjust the beginning fund balance for an overstatement of prior year accounts receivable related to state programs.

NOTE 23 - COMMITMENTS AND CONTINGENCIES:

A. Litigation

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

B. State and Federal Allowances, Awards, and Grants

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

C. County School Facilities Funds

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

D. Purchase Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $ 2,400,000. Projects will be funded through Bond Proceeds, Capital Facilities Funds and General Funds.

NOTE 24 – SUBSEQUENT EVENT:

The District was awarded a settlement of $1,845,138 during 2013-14. This amount was recognized as a receivable as of June 30, 2014 in the Nutrition Services Enterprise Fund. The District received $1,568,574 in November 2014. The remaining amount is due to be paid during the 2014-15 fiscal year.

REQUIRED SUMMPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts - General Fund		Actual Amounts
	Original	Final	General Fund
Revenues			
Local control funding formula sources:			
State apportionments	$ 135,419,670	$ 154,416,868	$ 154,465,409
Local sources	8,102,859	16,574,658	16,574,658
Total local control funding formula sources	143,522,529	170,991,526	171,040,067
Federal sources	13,442,945	14,866,819	13,049,931
Other state sources	38,258,826	22,676,160	22,914,833
Other local sources	14,046,232	13,454,362	13,004,031
Total Revenues	209,270,532	221,988,867	220,008,862
Expenditures			
Certificated salaries	97,990,783	102,486,572	101,289,027
Classified salaries	32,736,142	33,411,526	33,000,393
Employee benefits	49,220,211	48,937,535	48,035,607
Books and supplies	10,960,533	10,891,098	8,103,456
Services and other operating expenditures	26,871,898	28,077,024	24,360,058
Capital outlay	294,000	3,774,418	3,613,183
Tuition and other outgo	977,101	2,255,432	2,154,292
Debt service	672,093	1,051,575	1,051,574
Direct support - indirect cost	(1,210,155)	(990,583)	(871,506)
Total Expenditures	218,512,606	229,894,597	220,736,084
Deficiency of revenues over expenditures	(9,242,074)	(7,905,730)	(727,222)
Other Financing Uses			
Interfund transfers in		24,238	-
Interfund transfers out		(610,185)	(508,204)
Total Other Financing Uses	-	(585,947)	(508,204)
Net change in fund balance	$ (9,242,074)	$ (8,491,677)	(1,235,426)
Fund Balance - Beginning of Year, as Originally Stated			28,322,974
Adjustment for restatement (See note 22)			(1,058,985)
Fund Balance - Beginning of Year, as Restated			27,263,989
Fund Balance - End of Year			$ 26,028,563

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Projected Unit Credit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2/1/2009	$ -	$ 18,601,302	$ 18,601,302	0%	$141,520,947	13%
2/1/2011	-	25,908,488	25,908,488	0%	132,161,502	20%
2/1/2013	-	32,656,090	32,656,090	0%	130,534,497	25%

See the accompanying notes to the required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

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

B. Schedule of Postemployment Healthcare Benefits Funding Progress

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There are no excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund.

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION
June 30, 2014

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

The Board of Education and the District Administrators for the fiscal year ended June 30, 2014 were as follows:

BOARD OF EDUCATION

Member	Office	Term Expires
Joanne T. Gilbert	President	November 30, 2014
Joseph Ayala	Vice President	November 30, 2016
Joseph W. Martinez	Clerk	November 30, 2016
Edgar Montes	Member	November 30, 2014
Nancy G. O'Kelley	Member	November 30, 2016

DISTRICT ADMINISTRATORS

Mohammad Z. Islam	Interim Superintendent
Dr. James Wallace	Deputy Superintendent
Dr. Susan Levine	Associate Superintendent, Educational Services
Sharon Flores	Director, Fiscal Services

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2014

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

ADA statistics reporting to the state for the fiscal year ended June 30, 2014 are as follows:

	Revised Second Period	Annual
Grades transitional kindergarten through third		
Regular ADA	7,869	7,854
Extended year special education	2	1
Special education - nonpublic, nonsectarian schools	3	3
Total grades transitional kindergarten through third ADA	7,874	7,858
Grades four through six		
Regular ADA	5,854	5,835
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	8	7
Extended year special education - nonpublic, nonsectarian schools	1	1
Total grades four through six ADA	5,864	5,844
Grades seven and eight		
Regular ADA	3,985	3,971
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	5	4
Extended year special education - nonpublic, nonsectarian schools	1	
Community day school	2	3
Total grades seven and eight ADA	3,994	3,979
Grades nine through twelve		
Regular ADA	7,758	7,666
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	20	19
Extended year special education - nonpublic, nonsectarian schools	2	2
Community day school	10	11
Total grades nine through twelve ADA	7,792	7,700
Total ADA	25,524	25,381

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2014

	2013-14 Minutes			Number of Days	
Grade Level	Normal Requirement	Reduced Requirement	Actual Minutes	Traditional Calendar	Status
Kindergarten	36,000	35,000	36,180	180	In Compliance
Grade 1	50,400	49,000	50,902	180	In Compliance
Grade 2	50,400	49,000	50,902	180	In Compliance
Grade 3	50,400	49,000	50,902	180	In Compliance
Grade 4	54,000	52,500	54,290	180	In Compliance
Grade 5	54,000	52,500	54,290	180	In Compliance
Grade 6	54,000	52,500	62,293	180	In Compliance
Grade 7	54,000	52,500	62,293	180	In Compliance
Grade 8	54,000	52,500	62,293	180	In Compliance
Grade 9	64,800	63,000	65,372	180	In Compliance
Grade 10	64,800	63,000	65,372	180	In Compliance
Grade 11	64,800	63,000	65,372	180	In Compliance
Grade 12	64,800	63,000	65,372	180	In Compliance

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From the California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	$ 9,358,679
Especially Needy Breakfast Program	10.553	13526	2,685,912
Meal Supplements	10.553	(1)	278,318
Summer Food Service Program	10.559	13396	92,303
Commodities	10.555	13396	828,247
Total Child Nutrition Cluster			13,243,459
Forest Reserve Funds	10.665	10044	15,070
Total U.S. Department of Agriculture			13,258,529
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Programs From the California Department of Education:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	6,522,837
Title I Part G, Advance Placement Test Fee Reimbursement Program	84.330	14831	50,265
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	812,281
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	12,714
Title III, Limited English Proficient Student Program	84.365	14346	815,217
Special Education Cluster:			
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	817
IDEA Preschool Staff Development, Part B, Age 3-4-5	84.173	13430	60,502
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	3,547,970
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 Private School ISPs	84.027	10115	4,233
IDEA Preschool Local Entitlement	84.027A	13682	104,406
IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	296,223
Subtotal Special Education Cluster:			4,014,151
Carl D. Perkins Career and Technical Education, Secondary	84.048	14894	169,709
Pass-Through Programs From California State University, San Bernardino:			
California State Gear Up Program	84.334A	10088	289
Total U.S. Department of Education			12,397,463

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Pass-Through Programs From the California Department of Education:			
Junior Reserve Officers' Training Corps	12.000	(1)	$ 204,102
Total U.S. Department of Defense			204,102
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From the California Department of Health Services:			
Federal Child Care, Center-Based	93.575	15136	97,879
Medi-Cal Billing Option	93.778	10013	394,015
Total U.S. Department of Health and Human Services			491,894
Total Federal Program Expenditures			$ 26,351,988
Reconciliation to Federal Revenue:			
Total Federal Program Expenditures			$ 26,351,988
Expenditures in excess of revenue due to state audit			
Title I Part A, Basic Grants Low-Income and Neglected			(2,426)
Title II, Part A, Improving Teacher Quality Local Grants			(3,831)
Title III, Immigrant Education Program			(15,541)
Title III, Limited English Proficient Student Program			(68)
Revenue in excess of expenditures related to Federal Entitlement Program			
Medi-Cal Billing Option			61,147
Total Federal Program Revenue			$ 26,391,269
Governmental Funds Federal Revenue			$ 13,147,810
Proprietary Funds Federal Revenue			13,243,459
Total Federal Program Revenue			$ 26,391,269

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

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted $828,247 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Years Ended June 30,

	2015 (Budgeted) Amount	%	2014 Amount	%	2013[1] Amount	%	2012[1] Amount	%
Revenue:								
Local control funding formula sources[2]	$ 196,874,956	81.4	$ 171,040,067	77.3	$ 137,956,739	65.6	$ 137,271,160	63.1
Federal sources	13,925,867	5.8	13,049,931	5.9	14,340,585	6.8	20,555,229	9.4
Other state sources[2]	11,607,439	4.8	22,914,833	10.3	38,799,741	18.5	38,558,265	17.7
Other local sources	12,393,209	5.1	13,004,031	5.9	14,731,915	7.0	14,225,557	6.5
Interfund transfers					2,385	-	1,485,172	0.7
Total revenues	234,801,471	97.1	220,008,862	99.4	205,831,365	97.9	212,095,383	97.4
Expenditures:								
Certificated salaries	110,894,575	45.8	101,289,027	45.8	97,275,608	46.3	98,988,046	45.5
Classified salaries	35,222,048	14.6	33,000,393	14.9	33,475,397	15.9	33,988,868	15.6
Employee benefits	51,717,853	21.4	48,035,607	21.7	45,428,986	21.6	50,364,049	23.1
Books and supplies	11,032,869	4.6	8,103,456	3.7	7,617,680	3.6	7,957,114	3.7
Services and other operating expenditures	28,235,301	11.7	24,360,058	11.0	23,923,246	11.4	23,414,343	10.7
Capital outlay	1,840,348	0.8	3,613,183	1.6	2,018,089	1.0	2,619,641	1.2
Other outgo	2,370,594	1.0	2,154,292	1.0	987,522	0.5	865,365	0.4
Debt service	1,280,313	0.5	1,051,574	0.5	271,228	0.1	2,963	-
Interfund transfers	300,027	0.1	508,204	0.2	24,452	-	242,887	0.1
Direct support-indirect costs	(1,093,200)	(0.5)	(871,506)	(0.4)	(765,405)	(0.4)	(721,967)	(0.3)
Total Expenditures	241,800,728	100.0	221,244,288	100.0	210,256,803	100.0	217,721,309	100.0
Change in Fund Balance	(6,999,257)	(2.9)	(1,235,426)	(0.6)	(4,425,438)	(2.1)	(5,625,926)	(2.6)
Adjustment for restatement			(1,058,985)					
Ending fund balance	$ 19,029,306	7.9	$ 26,028,563	11.8	$ 28,322,974	13.5	$ 32,748,412	15.0
Available reserve balance	$ 13,613,638	5.6	$ 14,350,429	6.5	$ 17,858,117	8.5	$ 21,153,776	9.7
Recommended reserve level		3.0		3.0		3.0		3.0
Average daily attendance (Second period)	25,499		25,524		25,582		25,777	
Total long-term debt	$ 106,157,203		$ 112,072,797		$ 114,617,545 [3]		$ 115,267,572 [3]	

IMPORTANT NOTES:

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

All percentages are of total expenditures.

Average daily attendance excludes Adult Education and ROP.

The 2015 budget is the original budget adopted on June 18, 2014.

[1] - 2012 and 2013 were performed by another audit firm.

[2] - In 2013/14 the state changed its primary funding method from revenue limit to local control funding formula, which combined the previous revenue limit and other state funding soureces into the local control funding formula.

[3] - The beginning balance has been restated to remove the deferred charge on refunding in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2014

Rialto Unified School District is not the granting agency for any Charter Schools.

See the accompanying notes to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

	Bond Interest and Redemption Fund
June 30, 2014 Annual Financial and Budget Report Fund Balances	$ 9,088,521
Adjustments and Reclassifications:	
Decreasing the Fund Balance:	
County adjustments to revenues and expenditures	(3,336,557)
June 30, 2014 Audited Financial Statement Fund Balances	$ 5,751,964

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND

	Nutrition Services
June 30, 2014 Annual Financial and Budget Report Fund Balances	$ 17,288,939
Adjustments and Reclassifications:	
Increase in Net Position	
Beginning Balance of Depreciable Assets, Net	5,467,639
Subsequent Receipt of Legal Settlement (see Note 24)	1,845,138
Decrease in Net Position	
Current Year Change in Depreciable Assets, Net	(286,951)
June 30, 2014 Audited Financial Statement Fund Balances	$ 24,314,765

See the accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

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

B. Schedule of Instructional Time

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.

The District met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

C. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

D. Schedule of Financial Trends and Analysis

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Charter Schools

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OPTIONAL SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
Assets							
Cash in county treasury	$ 328,726	$ 2,711,105	$ 1,114,096	$ 401,603	$ 5,751,964	$	$ 10,307,494
Accounts receivable:							
Federal and state governments	83,839						83,839
Miscellaneous	178,824	2,083	985	551			182,443
Due from other funds	97,383						97,383
Total Assets	$ 688,772	$ 2,713,188	$ 1,115,081	$ 402,154	$ 5,751,964	$ -	$ 10,671,159
Liabilities and Fund Balance							
Liabilities							
Accounts payable	$ 126,857	$ 12,486	$	$	$	$	$ 139,343
Due to other funds	520,920						520,920
Total Liabilities	647,777	12,486	-	-	-	-	660,263
Fund Balance							
Restricted	40,995	2,700,702	1,115,081		5,751,964		9,608,742
Assigned				402,154			402,154
Total Fund Balance	40,995	2,700,702	1,115,081	402,154	5,751,964	-	10,010,896
Total Liabilities and Fund Balance	$ 688,772	$ 2,713,188	$ 1,115,081	$ 402,154	$ 5,751,964	$ -	$ 10,671,159

See the accompanying notes to the optional supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
Revenues							
Federal sources	$ 97,879	$	$	$	$	$	$ 97,879
Other state sources	2,348,256				65,625		2,413,881
Local sources	881,224	1,113,647	4,615	7,743	4,768,890		6,776,119
Total Revenues	3,327,359	1,113,647	4,615	7,743	4,834,515		9,287,879
Expenditures							
Instruction	2,389,399						2,389,399
Instruction-related services	712,167						712,167
Pupil services	50,007						50,007
General administration	228,738						228,738
Plant services	139,144	66,755	248,056	177,217			631,172
Debt service	26,000				4,936,119	18	4,962,137
Total Expenditures	3,545,455	66,755	248,056	177,217	4,936,119	18	8,973,620
Excess (deficiency) of revenues over expenditures	(218,096)	1,046,892	(243,441)	(169,474)	(101,604)	(18)	314,259
Other Financing Sources (Uses)							
Interfund transfers in	97,383	35,489		4,927			137,799
Interfund transfers out			(40,416)	(3,394,652)			(3,435,068)
Total Other Financing Sources (Uses)	97,383	35,489	(40,416)	(3,389,725)	-		(3,297,269)
Net change in fund balance	(120,713)	1,082,381	(283,857)	(3,559,199)	(101,604)	(18)	(2,983,010)
Fund Balance - Beginning of Year	161,708	1,618,321	1,398,938	3,961,353	5,853,568	18	12,993,906
Fund Balance - End of Year	$ 40,995	$ 2,700,702	$ 1,115,081	$ 402,154	$ 5,751,964	$ -	$ 10,010,896

See the accompanying notes to the optional supplementary information.

NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

Combining Fund Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORTS

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The finding reference numbers are 2014-001, 2014-002, 2014-003 and 2014-004.

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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Rialto Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with 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 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 a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2014

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Rialto Unified School District's compliance with the types of compliance requirements described in the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies,* published by the Education Audit Appeals Panel for the year ended June 30, 2014. The District's State compliance requirements are identified in the table below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. However, our audit does not provide a legal determination of the District's compliance.

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance accounting:		
Attendance reporting	6	Yes
Teacher certification and misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional time for School Districts	10	Yes
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
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	No[1]
Mode of instruction	1	No[1]
Nonclassroom-based instruction/independent study	15	No[1]
Determination of funding for nonclassroom-based instruction	3	No[1]
Annual instructional minutes – classroom based	4	No[1]
Charter School Facility Grant Program	1	No[1]

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Rialto Unified School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2014-005. Our opinion on each state program is not modified with respect to this matter.

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2014

FINDINGS AND RECOMMENDATIONS

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2014

Financial Statements

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_X_ Yes ___ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes _X_ None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a)	___ Yes _X_ No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Center
84.010	Title I Part A, Basic Grants Low-Income Neglected
84.365	Title III, Limited English Proficient Student Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 790,560
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS
June 30, 2014

All audit findings must be identified as one or more of the following eleven categories:

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Note: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The district response that follows the finding is the District's corrective action plan.

FINDING 2014-001 – ANTI-FRAUD PROGRAM 30000

Observation: In accordance with the auditing standard related to our consideration of fraud, we are required to assess the District's anti-fraud program. Although the District has many excellent processes and procedures in place, we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the published recommendations issued by the American Institute of Certified Public Accountants.

Recommendations: The District should consider the following:

1. Consider revisiting the board adopted code of ethics last revised July 28, 1999 to include a fraud policy. In addition, part of the policy should include a mechanism to report any fraud concerns anonymously. Employees should be notified annually about the code of ethics and how to report fraud concerns.
2. Consider integrating ethics into the training program for Board members and employees. Preferably the training would include information to increase awareness, facilitate individual understanding of fraud red flags, and the proper procedures to report any suspicions they have.
3. Ensure employees understand their responsibility to communicate matters of actual or suspected fraud and how to communicate such matters. Employees should complete a confirmation of this understanding annually.

FINDING 2014-001 – ANTI-FRAUD PROGRAM (continued) 30000

Questioned Costs: Not applicable

District Response: The District will revise its code of ethics and its fraud policy. The District will implement a fraud prevention program.

FINDING 2014-002 – NUTRITION SERVICES INTERNAL CONTROLS 30000

Finding: We noted a lack of internal controls over the accounting at the Nutrition Services business office. For proper internal controls and monitoring of records posted, management reports should be reviewed and analyzed on a regular basis. These processes were not in place during the year ending June 30, 2014. Key reports and activities include budget to actual analysis, journal entry review and approval and analysis of the voided meals and bulk adds reports. These reports will assist management with monitoring costs and overall performance while providing the oversight necessary to better protect against fraud.

Cause: The situation was caused by turnover in Nutrition Services personnel and the underutilization of the computerized financial and meal tracking system. Current personnel were unaware of best practices and were unaware of the capabilities of and reports available in the eOffice and eTrition modules.

Questioned Costs: No specific amounts known to be misrepresented.

Recommendation: Nutrition Services personnel have since provided the reports mentioned above for the periods requested. However, we recommend the following:

- Immediately begin a routine review of budget to actual performance;
- Review and identify potential misstatements or misappropriation of District assets through analysis of management reports. Elements to review should include, but are not limited to:
  - Excessive voids with no approvals;
  - Bulk meal adds with no documentation or other support;
  - Journal entries with no approvals or completed outside normal business hours;
  - Regular budget overruns with no explanation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS
June 30, 2014

FINDING 2014-002 – NUTRITION SERVICES INTERNAL CONTROLS (continued) 30000

District Response: An integrated financial operating system was implemented in April 2014 to allow for effective review and monitoring of financial activity on a regular basis. Staff received training to understand the functionality of the system and its reporting capabilities.

On a monthly basis the financial statements, voided transaction report, bulk meal entry report, budget to actuals report, bank reconciliations and other reports are reviewed by the Nutrition Services Director. Monthly sales reconciliation reports and bank reconciliations are reviewed by the Associate Superintendent of Business Services and the Sr. Director of Fiscal Services. Journal entries and other adjustments are approved by the Director of Fiscal Services.

FINDING 2014-003 – SEGREGATION OF DUTIES – DECENTRALIZED CASH COLLECTIONS 30000

Finding: There is a lack of segregation of duties over cash collections for Adult Education, and developer fees. Our testing identified that the functions of collection and reconciliation are handled by the same individual at each of these locations. At Adult Education, the collection of fees and reconciliation to registration forms are handled by the same individual. Developer fees are collected and the preparation of the certificate of compliance is handled by the same individual. Each of these situations increase the risk of errors and potential misappropriations of deposits being undetected.

Questioned Cost: None identified

Recommendation: If possible, we recommend that the collection of cash be centralized at the District office. If collections are to continue at other locations, we recommend that cash collection procedures are revised to include more than one person. To better protect District assets, the duties of custody, recording and reconciliation of cash receipts should be segregated. At a minimum, different individuals should collect cash and reconcile the bank statement or other supporting documents; this will reduce the possibility of error or theft of revenues intended for the District and protects employees involved in the collection of cash.

FINDING 2014-003 – SEGREGATION OF DUTIES – DECENTRALIZED CASH COLLECTIONS (continued) 30000

District Response: Cash collection procedures have been revised. A "Receipt Register Verification Form" was created to allow for reconciliation between adult school registration forms and registration receipts. The form is used to reconcile the registration forms, class fees, and cash receipts for the day. Reconciliation is performed by the site administrator to sustain segregation of duties.

The Facilities Department has modified their procedure to add a second level of review. One staff member will calculate the developer fees and collect the cash and a second staff member will review the calculation and compare it to the cash collected. The first staff member will sign off on the certificate of compliance and the second staff member will initial the certificate of compliance as well. The certificate of compliance has been reproduced in a triplicate, pre-numbered form in order to account for all certificates issued.

FINDING 2014-004 – ASSOCIATED STUDENT BODY FUND INTERNAL CONTROLS 30000

Finding: We noted several areas that internal controls over student body fund accounting can be strengthened. The following were identified related to cash disbursements:

- Disbursements were not always included in the student body meeting minutes for detail approval.
- Several disbursements did not have proof of receipt included with the supporting documentation.
- Not all goods were received at a school site address.

The following were identified related to cash receipts:

- Revenue potential forms were not consistently used or completed for ASB fundraisers.
- Cash collections were not consistently supported with subreceipts and were missing dual signatures identifying that two people were present to count the cash.
- Ticket control sheets did not contain two signatures indicating that the tickets were verified and the cash was counted by two people.
- At one site, the ASB clerk collects cash, records activity in Peachtree, prepares the deposit slip, and reconciles the bank account. Bank reconciliations are sent to the District office but no one besides the ASB clerk is reviewing the bank statement against original cash receipt documentation.

FINDING 2014-004 – ASSOCIATED STUDENT BODY FUND INTERNAL CONTROLS (continued) 30000

Questioned Costs: None identified

Recommendation: We recommend that ASB procedures be reviewed, revised and communicated as needed. Areas to be addressed should include:

- Student body meeting minutes should contain documentation of the general meeting discussion and include the approval of the annual budget, all fundraisers and all cash disbursements;
- All goods purchased by the student body should be shipped to a school site or district address;
- All invoices must show proof of receipt prior to payment;
- All fundraisers should be planned, documented and reviewed with the use of revenue potential forms and those forms should be retained for audit and future planning of events.
- All points of cash collection should ensure that cash is counted with two people present and documented with both signing the cash collection sheet, revenue potential sheet, ticket control sheet, student roster or any other document used by the District to note cash collections.
- The accounting function should be segregated to the fullest extent possible to ensure that no one person has exclusive access to any one function in the collection and recording of student body funds. Where segregation is not possible, prompt review of documentation, processes and events should be instituted and documented.

District Response: The following actions have been taken to address the finding noted above:

- The school site ASBs have created minutes templates that address each of the areas of concern.
- School sites have established procedures to ensure each invoice is stamped "received/ approved for payment." Staff member receiving goods must verify each item has been received and sign the order as complete. In addition, teachers and club advisors were informed that reimbursements will be denied if goods were shipped to any address other than school site address or District warehouse.

FINDING 2014-004 – ASSOCIATED STUDENT BODY FUND INTERNAL CONTROLS (continued) 30000

District Response: (continued)

- School sites are requiring club advisors to use sub-receipts when collecting monies from students. Sub receipts and monies are due upon deposit to the ASB office. ASB cash count forms have been revised to include three verification lines, one for the club advisor, one for the individual verifying the club advisor's deposit, and the ASB budget clerk.
- Ticket control logs will require two signatures, one from the person preparing the log and one from the person verifying the log.
- The school site has established procedures to ensure revenue potentials are prepared for all fundraisers. At the final deposit of each fundraiser, the club account is reviewed to ensure revenue potential form has been completed. If the club has not completed the revenue potential they cannot conduct any further business until it has been completed.
- The school sites have modified their procedures to improve the internal controls over the bank account. Monthly bank reconciliation is prepared by the ASB budget clerk and given to a second budget clerk to review to maintain segregation of duties. The second budget clerk verifies the activity recorded in the bank reconciliation against the deposit and disbursement back up. The bank reconciliation continues to be reviewed by the Principal as part of the monthly review of ASB activity.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2014

There were no findings and questioned costs related to federal awards for the year ended June 30, 2014.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

FINDING 2014-005 UNDUPLICATED COUNT ERRORS 40000

Criteria: Education code section 42238.02 (b)(2) requires a school district or charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students as identified above.

Condition: During the testing of the unduplicated count it was noted that 7 of the 60 students initially selected for testing did not have the proper NSLP designation on the CalPADS report. These students had an original status of "Free" or "Reduced", and were changed to "Paid" in the Nutrition Services software after the annual verification process was complete. The District then performed an extensive review of all FRPM applications and determined that a total of 117 students were reported in error. Audit procedures were performed on the District's additional analysis and the audit confirmed the District's results. All changes have been submitted for revision.

Effect: The District was not in compliance with Education code section 42238.02 (b)(2). The CalPADS reports contained errors as follows:

Summary of Sites Tested

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Bemis Elementary					
As reported	606	248	621	674	621
Audit adjustments	(4)	-	-	-	(4)
Adjusted	602	248	621	674	617
Boyd Elementary					
As reported	513	256	539	568	539
Audit adjustments	(1)	-	-	-	(1)
Adjusted	512	256	539	568	538
Casey Elementary					
As reported	818	439	840	886	840
Audit adjustments	(3)	-	-	-	(3)
Adjusted	815	439	840	886	837
Charlotte N. Werner Elementary					
As reported	796	300	820	896	820
Audit adjustments	(2)	-	-	-	(2)
Adjusted	794	300	820	896	818
Dunn Elementary					
As reported	625	309	645	683	645
Audit adjustments	(1)	-	-	-	(1)
Adjusted	624	309	645	683	644

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS
June 30, 2014

FINDING 2014-005 UNDUPLICATED COUNT ERRORS (continued) 40000

Summary of Sites Tested (continued)

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Edward Fitzgerald Elementary					
As reported	340	100	369	524	369
Audit adjustments	(3)	-	-	-	(3)
Adjusted	337	100	369	524	366
Eisenhower Senior High					
As reported	1,919	437	2,017	2,377	2,017
Audit adjustments	(6)	-	-	-	(6)
Adjusted	1,913	437	2,017	2,377	2,011
Elizabeth T. Hughbanks Elementary					
As reported	550	124	563	678	563
Audit adjustments	(9)	-	-	-	(9)
Adjusted	541	124	563	678	554
Ernest Garcia Elementary					
As reported	570	191	594	714	594
Audit adjustments	(5)	-	-	-	(5)
Adjusted	565	191	594	714	589
Ethel Kucera Middle					
As reported	921	192	963	1,223	963
Audit adjustments	(9)	-	-	-	(9)
Adjusted	912	192	963	1,223	954
Frisbie Middle					
As reported	1,109	307	1,146	1,265	1,146
Audit adjustments	(7)	-	-	-	(7)
Adjusted	1,102	307	1,146	1,265	1,139
Georgia Morris Elementary					
As reported	542	270	560	603	560
Audit adjustments	(4)	-	-	-	(4)
Adjusted	538	270	560	603	556
Helen L. Dollahan Elementary					
As reported	561	222	591	657	591
Audit adjustments	(10)	-	-	-	(10)
Adjusted	551	222	591	657	581
Henry Elementary					
As reported	478	205	490	520	490
Audit adjustments	(2)	-	-	-	(2)
Adjusted	476	205	490	520	488
Kelley Elementary					
As reported	631	299	650	696	650
Audit adjustments	(1)	-	-	-	(1)
Adjusted	630	299	650	696	649
Kolb Middle					
As reported	791	148	810	1,031	810
Audit adjustments	(7)	-	-	-	(7)
Adjusted	784	148	810	1,031	803
Morgan Elementary					
As reported	425	113	443	499	443
Audit adjustments	(2)	-	-	-	(2)
Adjusted	423	113	443	499	441
Myers Elementary					
As reported	527	224	563	615	563
Audit adjustments	(2)	-	-	-	(2)
Adjusted	525	224	563	615	561

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

FINDING 2014-005 UNDUPLICATED COUNT ERRORS (continued) 40000

Summary of Sites Tested (continued)

	Unduplicated FRPM Eligible	English Learner (EL)	Adjusted Unduplicated FRPM and EL	Enrollment Count as reported in the CalPADS System	Adjusted Certified Total Unduplicated Pupil Count
Nancy R. Kordyak Elementary					
As reported	296	75	316	456	316
Audit adjustments	(3)	-	-	-	(3)
Adjusted	293	75	316	456	313
Nonpublic, Nonsectarian Schools					
As reported	-	6	15	35	15
Audit adjustments	-	-	(4)	-	(4)
Adjusted	-	6	11	35	11
Rialto High					
As reported	2,303	512	2,431	2,960	2,431
Audit adjustments	(7)	-	-	-	(7)
Adjusted	2,296	512	2,431	2,960	2,424
Rialto Middle					
As reported	1,025	255	1,063	1,201	1,063
Audit adjustments	(5)	-	-	-	(5)
Adjusted	1,020	255	1,063	1,201	1,058
Sam V. Curtis Elementary					
As reported	549	258	581	624	581
Audit adjustments	(2)	-	-	-	(2)
Adjusted	547	258	581	624	579
Samuel W. Simpson Elementary					
As reported	598	278	638	733	638
Audit adjustments	(3)	-	-	-	(3)
Adjusted	595	278	638	733	635
Trapp Elementary					
As reported	358	103	374	476	374
Audit adjustments	(3)	-	-	-	(3)
Adjusted	355	103	374	476	371
William G. Jehue Middle					
As reported	1,240	305	1,294	1,493	1,294
Audit adjustments	(9)	-	-	-	(9)
Adjusted	1,231	305	1,294	1,493	1,285
Wilmer Amina Carter High					
As reported	1,551	259	1,639	2,411	1,639
Audit adjustments	(3)	-	-	-	(3)
Adjusted	1,548	259	1,639	2,411	1,636
District Wide					
As reported	21,393	6,788	22,407	26,468	22,407
Audit adjustments	(117)	-	-	-	(117)
Adjusted	21,276	6,788	22,407	26,468	22,290

Cause: Lack of guidance from State regarding requirements to update CALPADS data for changes in Student FRPM status.

FINDING 2014-005 UNDUPLICATED COUNT ERRORS (continued) 40000

Questioned Cost: The entire population of students identified as FRPM was tested in order to determine the effect of the error. The reduction in the unduplicated pupil count resulted in questioned costs of $82,282.

Recommendation: The District should implement procedures that include a process to communicate changes in student FRPM status so the changes can be properly reflected in the CALPADS report.

District Response: On July 8, 2014 the CA Department of Education (CDE) provided guidance informing school districts that if an error is discovered during the income verification process that a student should not have been designated as FRPM eligible, then the LEA must submit a correction to the FRPM record during the amendment period. Lack of guidance provided by the state prior to the submission of the Cal pads and P-2 data caused this finding. The District has provided the adjustment to the unduplicated pupil count via the Revised Annual attendance report. Furthermore, the District will be writing a letter to CDE requesting they do not proceed with a monetary adjustment to the fiscal year 2013-2014 LCFF revenues given the lateness of their guidance.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-1	**CAFETERIA INTERNAL CONTROL FINDING** **Criteria:** Internal control is defined as a plan of organization under which employees' duties are so arranged and records and procedures so designated, as to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, and expenditures. Under such a system, the employees' work is subdivided so that no single employee performs a complete cycle of operations. Such procedures call for proper authorization by designated officials. To supplement an effective internal control, all computer systems that impact and interface with accounting records must be established to provide effective internal controls. **Conditions:** The following conditions were identified: 1) The Nutrition Services was not utilizing the automated general ledger system in place to record its accounting activities. Based on observations made, all accounting records were maintained on a series of Microsoft Excel spreadsheets.	**30000**	The District should consider the following actions: 1) The Nutrition Services Department should begin utilizing an automated general ledger system to regularly monitor activities and provide additional oversight. 2) Assignment of responsibilities impacting the financial statement should be determined by the Nutrition Services Department and the District's Business Services Department should independently review to ensure that responsibilities promote proper segregation of duties. Additionally, access to Nutrition Services Department-specific systems (Etrition) should also be independently reviewed by the Business Services Department. In particular, access to point-of-sale and other modules used to account for cash collections should be closely reviewed.	Partially implemented. See current year finding 2014-002.

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-1	**CAFETERIA INTERNAL CONTROL FINDING (continued)** 2) The Nutrition Services Department did not properly segregate the accountant's responsibilities. The accountant appears to have performed numerous functions (custody, recording, authorization, and reconciliation) impacting the financial statements, supplemented by having unlimited system access within the point-of-sale system. Furthermore, some of the controls in place were not effectively utilized by the Nutrition Services Department. Specifically, the old video camera system located in the cash counting room was not strategically positioned to assist in the identification of possible fraudulent activities taking place. 3) The daily count report generated by the Etrition software was not being utilized to determine if deposits reported on monthly bank statements were accurate and intact. Prior to the discovery of the alleged fraud, it appears that the Nutrition Services Department did not compare cash collections processed and entered into the Etrition software with actual cash deposits. There were numerous instances of large discrepancies between cash count reports and actual deposits posted on bank statements.		3) All control activities implemented over the Nutrition Services Department should always be operational. 4) The cash count report from the Etrition system is generated as a result of cash receipts being processed by the Nutrition Services Department. The report identifies how much cash was counted by the Nutrition Services Department. In order to verify the completeness of deposits being made, cash count report should be used to reconcile all cash deposits posted on monthly bank statements. Ideally, reconciliation should be performed by an independent party that is not involved with the counting process.	

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-1	**CAFETERIA INTERNAL CONTROL FINDING (continued)** 4) Fraud was perpetuated within the District's Nutrition Services Department during the 2012-2013 fiscal year with an alleged amount being misappropriated. **Questioned Costs:** There were no questioned costs associated with the condition identified **Context:** The condition was identified as a result of the full evaluation of the Nutrition Services Department's internal controls. The evaluation encompassed direct observation of electronic records kept in the accountant's computer, counting room located in the Nutrition Services Department, and the District provided deposit records and bank statements maintained for the 2012-2013 fiscal year. **Effect:** The condition identified resulted in the alleged fraud/misappropriations being perpetrated at the Nutrition Services Department. The fraud involved Nutrition Services Department's accountant allegedly misappropriating local revenues general from the District's administration of the Child Nutrition Cluster (Federal Program). The alleged fraud resulted in a potential embezzlement of approximately $193,000 during the 2012-2013 fiscal year.			

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-1	**CAFETERIA INTERNAL CONTROL FINDING (continued)** **Cause:** The primary cause was due to the lack of periodic evaluation and monitoring of proper segregation of duty assignments in the Nutrition Services Department. The cause was also exacerbated by disinclination to utilize the automated general ledger system of the Nutrition Services Department. Additionally, ineffective control activities (location and functionality of the surveillance camera placed in cash counting room) facilitated the condition to materialize.			
2013-2	**CHILD NUTRITION CASH COLLECTIONS FINDING** **Federal Program Affected** Program Name: Child Nutrition Cluster CFDA Number 10,553, 10,555, 10.556 Pass-Through Entity: California Department of Education Federal Agency: U.S. Department of Agriculture	**50000**	Absent the District securing a third party vendor to assume responsibility in counting daily cash sales and preparing deposits, the District should continue to periodically evaluate and monitor proper segregation of duty assignments pertinent to Nutrition Services accounting functions, ensure all accounting services are recorded on an automated general ledger accounting system, and continue to enhance internal controls, such as the functionality and location of the surveillance camera as well as regularly monitoring the cash counts, in addition to performing a reconciliation of cash deposits to the cash count report.	Implemented

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-2	**CHILD NUTRITION CASH COLLECTIONS FINDING (continued)** **Criteria or Specific Requirements:** According to the requirements for program income, found in the A-102 Common Rule (§_____.21 (payment and §_____.25 (program income)): OMB Circular A-110 (2 CFR section 215.22 (payments), and 2 CFR section 215.24 (program income)), program income is to be correctly earned, recorded and used in accordance with the program requirements. In the case of the Child Nutrition Program, program income is the monies received that are generated from meals served. **Condition:** There appears to be several discrepancies between the currency collected from the daily food sales and the amount deposited to the bank. Monies are collected from the sites daily and forwarded to the food service office where two employees count the cash. After the cash is counted, a cash count sheet is prepared and initialed by both employees. However, during the review of the cash count sheets, it was noted that there were numerous instances in which the currency collected did not correspond to the amounts reported on the actual bank deposit			

Original Finding No.	Finding	Code	Recommendation	Current Status
2013-2	**CHILD NUTRITION CASH COLLECTIONS FINDING (continued)** **Questioned Costs:** The known questioned cost related to the condition identified was approximately $134,523 based on the results of the examination. The likely questioned cost appears to be approximately $193,000 for the fiscal year. **Context:** The condition identified was determined through an examination of daily cash count sheets and monthly bank statements. The auditor selected 60 percent of the fiscal year daily sales and confirmed the discrepancies noted as the result of the audit to the amounts noted in the District's independent investigation **Effect:** As a result of our testing, the District does not appear to be in compliance with Federal program income requirements as such monies appeared not to be recorded or deposited for program use. **Cause:** The primary cause was due to the bank of periodic evaluation and monitoring of proper segregation of duty assignments in the Nutrition Services Department. The cause was also exacerbated by disinclination to utilize the automated general ledger system at the Nutrition Services Department. Additionally, ineffective control activities (location and functionality of the surveillance camera placed in cash counting room) facilitated the condition to materialize.			

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2015 Bonds in substantially the following form:

[Closing Date]

Rialto Unified School District
Rialto, California

Rialto Unified School District
(County of San Bernardino, California)
General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable)
(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, California (the "County"), of $32,015,000 aggregate principal amount of bonds designated as "Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable)" (the "Series 2015 Bonds"), authorized at an election held in the District on November 2, 2010. The Series 2015 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on January 7, 2015 (the "Resolution").

In such connection, we have reviewed the Resolution, 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2015 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. 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 Resolution. We call attention to the fact that the rights and obligations under the Series 2015 Bonds and the Resolution and their enforceability may be subject to bankruptcy, insolvency, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 10, 2015, or other offering material relating to the Series 2015 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 2015 Bonds constitute valid and binding obligations of the District.

2. The 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 2015 Bonds and the interest thereon.

4. Interest on the Series 2015 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2015 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 amount, accrual or receipt of interest on, the Series 2015 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 $32,015,000 aggregate principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on January 7, 2015 (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 10, 2015 (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. Provision of Annual Reports. (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 2014-2015 Fiscal Year (which is due not later than April 1, 2016), 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. Content of Annual Reports. 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 outstanding debt.

(iii) 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").

(iv) 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.

(v) 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. Termination of Reporting Obligation. 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. Dissemination Agent. 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. Amendment; Waiver. 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. Additional Information. 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 26, 2015

RIALTO UNIFIED SCHOOL DISTRICT

By: ___________________________________

Interim Superintendent

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 (County of San Bernardino, California) General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable)
Date of Issuance:	March 26, 2015

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 26, 2015. [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 information in this section has been provided by the County Treasurer. Neither the District nor the Underwriter has independently verified this information and neither guarantees the completeness or accuracy thereof.

The San Bernardino County Treasury Pool

The following information has been provided by the Auditor-Controller/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:

- Fitch Ratings, Inc. - "AAA" (credit quality) and "V1" (volatility)

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 rating agency and any explanation of the significance of such ratings may be obtained from the rating agency as follows: Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004.

The County's Investment Policy requires depositors to submit requests to withdraw funds no less than 30 days from the requested date of withdrawal. Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code section 27136(b). 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.

<u>Authorized Investments</u>. 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, federally insured cash accounts, shares of beneficial interest in diversified management companies (mutual funds) and joint powers authority pools. 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 shall be invested in securities maturing in one year or less, and the entire portfolio shall not exceed a duration-to-maturity of 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, 2015. 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, 2015, 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	Percent
Certificates of Deposit	$1,005,000,000.00	$1,004,320,621.50	22.8%
Commercial Paper	868,000,000.00	867,730,307.00	19.7
Corporate Notes	81,040,000.00	81,392,626.16	1.9
Federal Agencies	1,469,295,000.00	1,479,158,278.38	33.6
Money Market Funds	25,000,000.00	25,000,000.00	0.6
Bank Deposit Account	50,000,000.00	50,000,000.00	1.1
Joint Powers Authority	50,000,000.00	50,000,000.00	1.1
U.S. Treasuries	840,000,000.00	847,509,157.52	19.2%
Total Securities	**$4,388,335,000.00**	**$4,405,110,990.56**	**100.00%**
Cash Balance	298,155,584.40	298,155,584.40	
Total Investments	**$4,686,490,584.40**	**$4,703,266,574.96**	
Accrued Interest	-	5,679,338.53	
Total Portfolio	**$4,686,490,584.40**	**$4,708,945,913.49**	

Neither the District nor the Underwriter 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

SAN BERNARDINO COUNTY INVESTMENT POLICY

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OFFICE OF THE
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
COUNTY OF SAN BERNARDINO

TREASURER'S STATEMENT OF INVESTMENT POLICY

As approved by the Board of Supervisors on November 18, 2014

SCOPE:

The County of San Bernardino's Investment Policy has been prepared in accordance with California State law. This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasury Pool and made on behalf of the County and member agencies of the Pool, with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are made with the understanding that the Treasurer holds a public trust with the citizens of the County, which shall not be compromised.

FIDUCIARY RESPONSIBILITY:

The California Government Code, Section 27000.3, declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

This standard requires that "*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law*." This standard shall be applied in the context of managing the overall portfolio.

PORTFOLIO OBJECTIVES:
It is the policy of the Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County investment pool will be guided by the following principles, in order of importance:

- The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
- The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
- The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

AUTHORITY:
The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq. and 53630 et seq. of the California Government Code.

AUTHORIZED INVESTMENTS:
Investments shall be restricted to those authorized in the California Government Code and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stated for any type of security as detailed above, the maximum allowable limit is determined by the portfolio size at the market close of the regular business day prior to the security purchase date. Maximum limits are applicable at the time of security purchase only unless otherwise noted or defined in Schedule I.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity. The purpose of this diversification is to reduce portfolio risk by avoiding an overconcentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

PROHIBITED INVESTMENTS:
No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid investments which lack a readily available market for trading. These investments are defined to be: private placement notes or bonds, funding agreements, master notes, and loan participations.

STAFF AUTHORIZED TO MAKE INVESTMENTS:
Only the Auditor-Controller/Treasurer/Tax Collector, Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Cash Manager/Investment Officer, Assistant Cash Manager/Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) may make investments and order the receipt and delivery of investment securities among custodial security clearance accounts. Authority granted to contracted consultant(s) shall be defined in their contract(s).

AUTHORIZED BROKER/DEALERS:
The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Security transactions are limited solely to those banks, direct issuers and dealers included on this list. All financial institutions must be approved by the County Treasurer before they receive County funds or are able to conduct business with the County Treasurer.

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year. Further, in compliance with Section 27133(c) & (d) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, by the Fair Political Practices Commission, or by County ordinance.

DUE DILIGENCE:
County Treasurer staff shall conduct a thorough review and perform due diligence of all brokers, dealers, issuers of securities, and mutual funds prior to investing or conducting transactions with these parties and on a continuing basis. This due diligence shall include a periodic review of recent news, financial statements and SEC filings related to each entity.

INTERNAL CONTROLS:
The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

- Investment transactions in excess of overnight maturity conducted by the County Treasurer's office shall be documented and subsequently reviewed by the Treasurer.
- All investment transactions shall be entered into the Treasurer's accounting system.
- County investments shall be transacted, confirmed, accounted for, and audited by different people.

SECURITY CUSTODY & DELIVERIES:
All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the independent certified public accounting firm approved by the County Board of Supervisors. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

All security transactions are to be conducted on a "delivery-versus-payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

REPURCHASE AGREEMENTS:
Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

COMPETITIVE PRICING:
Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

LIQUIDITY:
The duration-to-maturity of the portfolio shall not exceed 1.50. To provide sufficient liquidity to meet daily expenditure requirements for the following 12 months, the portfolio shall maintain at least 40% of its par value in securities having a maturity of 12 months or less.

PERFORMANCE EVALUATION:
Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, evaluation, and a total return measurement using the Bank of America Merrill Lynch 6-month Treasury Bill Index "G0O2" as a benchmark.

MITIGATING MARKET & CREDIT RISKS:
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Cash Manager/Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

TRADING & EARLY SALE OF SECURITIES:
Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:
Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

PORTFOLIO REPORTS/AUDITING:
On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing County Investment Policy.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

TREASURY OVERSIGHT COMMITTEE:
In accordance with California Government Code Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted on the Treasurer's pooled investment portfolio.

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by the independent certified public accounting firm approved by the County Board of Supervisors. Such reports are made in accordance with the California Government Code Sections 26920 and 26922 and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section 53601 and 53635.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers or other persons with whom the county treasury conducts business.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:
All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code,. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:
Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:
Any depositor or public official having funds on deposit, either voluntarily or involuntarily, with this pool, that seeks to withdraw these funds for the purpose of investing or depositing them outside the Treasury Pool, shall first submit a request for withdrawal to the Treasurer for approval prior to withdrawing funds.

The request should be submitted and processed as follows:

- In writing, from the governing authority of the funds being withdrawn. The request should state the amount, date of transfer, where investment and/or deposit is to be made, and the reason for the request.
- The request must be received by the County Treasurer no less than thirty (30) days prior to the requested date of withdrawal.
- Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code section 27136(b).

CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:
The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

ETHICS & CONFLICTS OF INTEREST:
Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller/Treasurer/Tax Collector, Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Cash Manager/Investment Officer, Assistant Cash Manager/Investment Officer, and Investment Analyst(s) are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County ordinance. In addition, the Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Cash Manager/Investment Officer, Assistant Cash Manager/Investment Officer, Investment Analyst(s), and any outside investment advisors or contracted consultants are required to sign and abide by an Ethics Policy instituted by the Auditor-Controller/Treasurer/Tax Collector.

POLICY ADOPTION & AMENDMENTS:
This policy statement will become effective immediately following adoption by the Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the policy statement is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

COUNTY OF SAN BERNARDINO INVESTMENT POLICY

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)

AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS	MATURITY (not to exceed)	MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH)
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest	100%	None	5 years	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises (excluding mortgage-backed securities)	100%	Senior debt only	5 years	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank	30%	US Dollar denominated Senior Unsecured debt only	5 years	AA by at least one rating agency
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within the County of San Bernardino	10%	With approval of Treasurer	5 years	AAA by at least 2 of the 3 rating agencies*
Bankers Acceptances issued by approved banks	30%	Max $100mm par value of any one issuer, subject to 5% overall corporate issuer limit.	180 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Commercial paper of U.S. Corps with total assets in excess of $500 MM	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit	270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Asset-backed Commercial Paper	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements	270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*

Negotiable CDs issued by approved banks	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit	3 years from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3 (if rated)*
Collateralized Certificates of Deposit/Deposits	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code	1 year from settlement date	See Section 53630 et al. of the California Government Code
Repurchase Agreements with 102% collateral	40%	Repurchase Agreements (contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule II)	Restricted to Primary Dealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes	10%	Max $100mm par value of any one issuer, subject to 5% overall corporate issuer limit	3 years from settlement date	Rated long-term A- and/or A3 by at least 2 of the 3 rating agencies*
FDIC Insured Deposit Accounts Authorized under California Government Code Sections 53601.8 & 53635.8	5%	Max $50MM per selected depository institution Max $100MM per placement service	Term Deposits not permitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section 53601(p)	5%	Max $200MM per JPA Pool Maintain Constant Net Asset Value (NAV)	Immediate Liquidity	AAA by at least one rating agency
Money Market mutual funds that meet requirements of California Government Code	15%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.	Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*

* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd.

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
COUNTY OF SAN BERNARDINO
STATEMENT OF INVESTMENT POLICY

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements and Securities Lending Agreements:

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.

2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.

4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.

5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.

6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.

7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.

9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
COUNTY OF SAN BERNARDINO
STATEMENT OF INVESTMENT POLICY

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.

2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the county's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.

3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is $5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

5. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).

6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.

7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of San Bernardino's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.

2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The firm must acknowledge receipt of the County Treasurer's written Investment Policy guidelines.

4. It is important that the firm provide related services that will enhance the account relationship, which could include:

   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
   (c) Be willing to purchase securities from our portfolio.
   (d) Be capable of providing market analysis, economic projections, and newsletters.

5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.

6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.

7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.

8. The broker/dealer must have been in operation for more than five (5) years.

9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than $10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.

10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York and meet the following criteria:

    (a) Counterparties must have a minimum of one short-term credit rating of at least A-1,P-1, and/or F1.
    (b) Counterparties and/or their parent must have a minimum of $25 billion in assets and $350 million in capital.

GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called "Book Value").

BANKERS ACCEPTANCE – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a bankers' acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit.

DERIVATIVES – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE’S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

INVERSE FLOATERS – Floating rate notes which pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage, that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

APPENDIX G

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 2015 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2015 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 2015 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 a Standard & Poor's rating of AA+. 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 Issuer or the 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 H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer