

RIALTO UNIFIED SCHOOL DISTRICT

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RIALTO UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and th

INDEPENDENT AUDITOR'S REPORT

Board of Education
Rialto Unified School District
Rialto, CA 92376

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

Opinion

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budget comparison information, schedule of postemployment healthcare benefits funding progress schedule of the District's proportionate share of the net pension liability and schedule of the District's pension contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 District's basic financial statements. The supplementary schedules, combining non-major fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, presented for purposes of additional analysis and are not a required part of the basic financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

Financial Highlights

- x Overall revenues and other financing sources for governmental activities totaled \$314.6 million or \$30.0 million more than expenditures.
- x Overall the District's net capital assets increased by \$4.4 million or 13.68% over the course of the year. This was primarily due to the completion of classroom addition projects and the upgrade to the District's network.
- x The District's total long-term debt obligations increased by \$43.8 million during the current fiscal year. The increase was due to an increase in the Net Pension Liability.
- x At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$42.1 million or 15.2% of total General Fund expenditures.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Student Enrollment and Average Daily Attendance (ADA)

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

Projected Student Enrollment—

- x Enrollment has been decreasing since the 2005-06 school year. Overall, the District's enrollment has decreased by 270 students over the last three years.
- x The District anticipates enrollment to continue to decline at the same rate in the upcoming years.

Projected Student Average Daily Attendance (ADA) —

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

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Fund Financial Statements

More detailed information about the District's major governmental funds, not the District as a whole, are provided in the 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 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 repay its long-term debts). Other funds may also add specific accounting requirements for certain revenue and expenditure classification (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 in the source

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 at current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense. The deferred outflow of resources is comprised of the deferred charge on refunding general obligation bond debt. The deferred charge on refunding is the difference between the reacquisition price and the net carrying amount of the old debt refunded, and a portion is amortized each year.

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

RIALTO UNIFIED SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

The Statement of Net Position for the years ended June 30, 2015 and June 30, 2016 are summarized and analyzed below:

Summary of Statement of Net Position	2015-16	2014-15	Variance
Non-capital Assets	\$ 130,426,990	\$ 96,131,219	\$ 34,295,771
Capital Assets	<u>326,969,428</u>	<u>322,557,239</u>	<u>4,412,189</u>
Total Assets	<u>457,396,418</u>	<u>418,688,458</u>	<u>38,707,960</u>
Deferred Outflows of Resources	<u>38,209,719</u>	<u>15,399,717</u>	<u>22,810,002</u>
Current Liabilities	29,232,730	19,620,726	9,612,004
Long Term Liabilities	<u>338,975,889</u>	<u>295,128,970</u>	<u>43,846,919</u>
Total Liabilities	<u>368,208,619</u>	<u>314,749,696</u>	<u>53,458,923</u>
Deferred Inflows of Resources	<u>21,081,414</u>	<u>43,104,052</u>	<u>(22,022,638)</u>
Net Position Invested in Capital Assets	222,758,880	192,360,979	30,397,901
Net Position Legally Restricted	28,662,855	48,525,853	(19,862,998)
Net Position Unrestricted	<u>(145,105,631)</u>	<u>(164,652,405)</u>	

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Activities

The purpose of this statement is to present 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, 2015 and June 30, 2016 are summarized below:

	2015-16	2014-15	Variance
Revenues			
Program revenues:			

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Activities (continued)

- f* Total revenues increased by \$47.9 million between fiscal years. The increase is a result of Federal and State aide, the majority in part from the Local Control Funding Formula (LCFF).
- f* Total expenses increased in 2015-2016 by \$24 million between fiscal years. The increase is mainly attributed to the increase in salaries and benefits, the restoration of Class Size Reduction, and the Local Control Accountability Plan (LCAP) approved programs.

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Capital Assets and Debt Administration

Capital Assets

RIALTO UNIFIED SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

Debt

Notes 8-13 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year-end for 2015 and 2016 is presented below:

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2015</u>
General obligation bonds, including accreted interest	\$ 121,230,578	\$ 121,014,384
Certificates of participation	5,640,000	6,250,000
Child care facilities revolving fund	26,000	52,000
City of Rialto redevelopment agency loan	5,031,941	5,101,941
Supplemental early retirement plan	-	267,870
Early retirement incentive	-	710,396
Compensated absences	815,742	680,902
Net Pension Liability	198,350,425	152,291,923*
Post employment healthcare benefits	7,881,203	8,759,554
	<u>\$ 338,975,889</u>	<u>\$ 295,128,970</u>

* with cumulative effect of change in accounting principle applied

RIALTO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Economic Factors that may Affect the Future

2015-16 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 3, 2015.

The LCFF provides a positive forecast for the future of education; however, the District will have to be strategic and cautious in administering 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 Spending 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

FINANCIAL SECTION

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 161,354,763	\$ 2,887	\$ 27,733,061	\$ -	\$ (133,618,815)	\$ -	\$ (133,618,815)
Instruction - related services	33,339,634	28,433	8,430,867	-	(24,880,334)	-	(24,880,334)
Pupil services	23,576,892	-	4,533,671	-	(19,043,221)	-	(19,043,221)
Community services	(8,308)	-	-	-	8,308	-	8,308
General administration	15,137,186	85,501	1,857,961	-	(13,193,724)	-	(13,193,724)
Plant services	29,845,690	1,608,101	2,862,127	2,918,801	(22,456,661)	-	(22,456,661)
Other outgo	251,416	1,520,991	739,291	-	2,008,866	-	2,008,866
Debt service - interest	6,047,802	-	-	-	(6,047,802)	-	(6,047,802)
Depreciation (unallocated)	14,925,532	-	-	-	(14,925,532)	-	(14,925,532)
Total Governmental Activities	284,470,607	3,245,913	46,156,978	2,918,801	(232,148,915)	-	(232,148,915)
Business-type Activities							
Enterprise activities	15,613,327	1,308,028	14,630,960	-	-	325,661	325,661
Total Business-type Activities	15,613,327	1,308,028	14,630,960	-	-	325,661	325,661
Total District	\$ 300,083,934	\$ 4,553,941	\$ 60,787,938	\$ 2,918,801	(232,148,915)	325,661	(231,823,254)

General Revenues

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 65,315,963	\$ 28,755,015	\$ 22,108,777	\$ 116,179,755
Cash in revolving fund	90,000	-	-	90,000
Accounts receivable				
Federal and state governments	11,518,634	-	424,080	11,942,714
Miscellaneous	712,369	52,019	652,257	1,416,645
Due from other funds	1,709,059	-	119,512	1,828,571
Inventories	143,645	-	-	143,645
Prepaid expenditures	24,321	-	-	24,321
Total Assets	<u>\$ 79,513,991</u>	<u>\$ 28,807,034</u>	<u>\$ 23,304,626</u>	<u>\$ 131,625,651</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - governmental funds	\$ 102,276,155
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Amounts reported for governmental funds are different than the statement of net position because:

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	\$ 213,630,368	-	\$ -	\$ 213,630,368
Local sources	18,426,379	-	-	18,426,379
Total local control funding formula sources	232,056,747	-	-	232,056,747
Federal sources	15,626,361	-	-	15,626,361
Other state sources	35,285,266	-	7,022,164	42,307,430
Other local sources	11,329,085	170,685	13,061,974	24,561,744
Total Revenues	294,297,459	170,685	20,084,138	314,552,282
Expenditures				
Instruction	158,681,473	-	2,981,081	161,662,554
Instruction - related services	32,236,703	-	1,096,689	33,333,392
Pupil services	23,842,760	-	55,364	23,898,124
Community services	476	-	-	476
General administration	14,991,787	-	280,982	15,272,769
Plant services	41,692,557	3,744,356	2,950,740	48,387,653
Other outgo	89,811	-	-	89,811
Debt service	1,250,281	-	5,636,187	6,886,468
Total Expenditures	272,785,848	3,744,356	13,001,043	289,531,247
Excess (deficiency) of revenues over expenditures	21,511,611	(3,573,671)	7,083,095	25,021,035
Other Financing Sources (Uses)				
Interfund transfers in	-	-	4,262,588	4,262,588
Interfund transfers out	(3,994,272)	(268,316)	-	(4,262,588)
Total Other Financing Sources	(3,994,272)	(268,316)	4,262,588	-
Net changes in fund balance	17,517,339	(3,841,987)	11,345,683	25,021,035
Fund Balances at Beginning of Year	35,738,853	31,559,958	9,956,309	77,255,120
Fund Balances at End of Year	\$ 53,256,192	\$ 27,717,971	\$ 21,301,992	\$ 102,276,155

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
 STATEMENT OF FUND NET POSITION
 PROPRIETARY FUND
 June 30, 2016

	Business-Type Activities: <u>Enterprise Fund</u> <u>Nutrition Services</u>
<u>Assets</u>	
Cash in county treasury	\$ 17,203,848
Cash in revolving fund	650
Accounts receivable	
Federal and state governments	3,319,470
Miscellaneous	17,585
Due from other funds	40,818
Inventories	388,990
Depreciable assets, net	<u>4,380,043</u>
Total Assets	<u>25,351,404</u>
 <u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	<u>571,823</u>
 <u>Liabilities</u>	
Accounts payable	320,524
Due to other funds	629,910
Net pension liability	<u>3,712,116</u>
Total Liabilities	<u>4,662,550</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	<u>493,369</u>
 <u>Net Position</u>	
Net investment in capital assets	4,380,043
Unrestricted	<u>16,387,265</u>
Total Net Position	<u>\$ 20,767,308</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2016

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities: <u>Enterprise Fund</u> <u>Nutrition Services</u>
Operating Income	\$ 325,661
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	415,614
Changes in operating assets and liabilities:	
Accounts receivable	252,433
Due from other funds	(3,763)

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2016

	Associated Student Body <u>Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 945,829
Prepaid expenses	5,000
Inventories	<u>14,444</u>
Total Assets	<u>965,273</u>
 <u>Liabilities</u>	
Accounts payable	31,456
Funds held in trust	<u>933,817</u>
Total Liabilities	<u>\$ 965,273</u>

See accompanying notes to the financial statements.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 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 Dist

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

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

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

Governmental Funds – Major

General Fund: used to account for all financial resource

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

developer impact fees.

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

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

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

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

Proprietary Funds

Enterprise Fund

Nutrition Services Fund: used to account for revenues received and expenses 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.

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the presentation of expenses versus expenditures.

Cash and Cash Equivalents

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

Receivables

RIALTO UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

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

Deferred Outflows – Pensions The deferred outflows of resources – pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 14 to the financial statements.

Unearned Revenue

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

Compensated Absences

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 earned. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as expenditures.

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources, results from the difference between the estimated and actual pension plan investments, the effect of changes in proportion, the changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 14 to the

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

financial statements.

Net Position

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

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 are 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.

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 restricted, assigned, or unassigned fund balances are available, the District's policy considers amount

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating 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. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

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

Reporting Entity

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

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

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

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

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

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

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

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because at least one 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.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 separate comparison schedule in the required supplementary section.

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

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, \$18,032,028 of the District's bank balances of \$18,282,028 was exposed to credit risk as uninsured and collateral held by the pledging bank's department, not in the District's name.

Investments

Cash in County

In accordance with Education Code Section 41004, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.25% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 3: DEPOSITS AND INVESTMENTS

be rated. Interest earned is deposited quarterly by participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

NOTE 4: INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2016 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,709,059	\$ 160,330
Adult Ed		373,146
Enterprise Funds		
Nutrition Services	40,818	629,910
Special Revenue Funds:		
Child Development	119,512	706,003

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 4: INTERFUND TRANSACTIONS

RIALTO UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2016 is shown below.

Governmental Activities

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	15,089,653	16,462,055	10,925,973	20,625,735
Total capital assets not being depreciated	<u>54,842,138</u>	<u>16,462,055</u>	<u>10,925,973</u>	<u>60,378,220</u>
Capital assets being depreciated:				
Buildings	402,010,247	12,215,707	34,817	414,191,137
Equipment	21,239,084	1,615,091	70,007	22,784,168
Total capital assets being depreciated	<u>423,249,331</u>	<u>13,830,798</u>	<u>104,824</u>	<u>436,975,305</u>
Less accumulated depreciation for:				
Buildings	(140,353,596)	(13,696,523)	(5,658)	(154,044,461)
Equipment	(15,180,634)	(1,229,009)	(70,007)	(16,339,636)
Total accumulated depreciation	<u>(155,534,230)</u>	<u>(14,925,532)</u>	<u>(75,665)</u>	<u>(170,384,097)</u>
Depreciable assets, net	<u>267,715,101</u>	<u>(1,094,734)</u>	<u>29,159</u>	<u>266,591,208</u>

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 7:

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 8: LEASES

Operating Leases

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

Current year expenditures for operating leases approximately \$583,294. The District will receive no sublease rental revenues nor pay contingent rentals for these properties.

NOTE 9:

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 9: CERTIFICATES OF PARTICIPATION

the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates.

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

The annual requirements to amortize the 2006 Cer

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 10: GENERAL OBLIGATION BONDS

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 \$756,460 and accreted interest paid and included as a deduction in the long-term debt schedule is \$1,027,218. The balance of accreted interest at June 30, 2016 is \$6,940,421.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$1,716,066. The amount will be amortized using the straight-line method. Amortization of \$107,254 was recognized for fiscal year 2015-16.

Measure Y 2010 Election

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

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

Capital appreciation bonds were issued as part of Series A with maturity dates from 2027 through 2042. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with interest accruing 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 \$2,889,784. The balance of accreted interest at June 30, 2016 is \$12,397,145.

Premium and discounts are netted against the carrying amount of the bonds and are amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$2,347,592 and the Series B bonds included a discount of \$1,068,488. These amount will be amortized using the straight-line method. Net amortization of \$7,021 was recognized for fiscal year 2015-16.

RIALTO UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016

NOTE 10: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2016</u>
1999:					
Series A	6/1/2000	2025	4.75-6.25	\$ 19,995,038	4,204,076
2012 Refunding	5/17/2012	2029	2.00-5.00	29,865,000	26,625,000
Total Measure 1999				49,860,038	

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

NOTE 11: CHILD CARE FACILITIES REVOLVING FUND:

During the 2000-2001 and 2001-2002 school years, District entered into lease-purchasing with the California Department of Education by participation in the Child Care Facilities Revolving Fund program, bringing 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. The final payment of \$26,000 will be paid during the 2016-17 fiscal year.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 12: CITY OF RIALTO REDEVELOPMENT AGENCY LOAN

During 2005, the District entered into an agreement with the City of Rialto Redevelopment

RIALTO UNIFIED SCHOOL DISTRICT

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RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the expected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.2290%.

For the year ended June 30, 2016, the District recognized pension expense of \$14,571,391 and revenue of \$7,043,641 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources
--------------------------------------	-------------------------------------

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP Defined Benefit Plan for the June 30, 2015 measurement date is 7 years. The first year of amortization is recognized in pension expense in the year the gain/loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

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

RIALTO UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2017	\$ (762,214)
2018	(762,214)
2019	(762,214)
2020	(762,214)
2021	2,379,667
2022	2,379,668
Total	<u>\$ 1,710,479</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series and adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on policy for target asset allocation in effect on February 2, 2012, the date the current expense study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the investment rate of return are summarized in the following table:

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates.

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit 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

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSLS) of the plan participants. The EARSLS for the CalPERS Plan for the June 30, 2015 measurement date is 3.9 years. The first year of amortization is recognized in pension expense in the year the gain/loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

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

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using

RIALTO UNIFIED SCHOOL DISTRICT

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

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

NOTE 15: JOINT POWERS AGREEMENTS

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

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

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

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

Condensed financial information for the year ended June 30, 2016 is as follows:

NOTE 16: COMMITMENTS AND CONTINGENCIES

Litigation

RIALTO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 16: COMMITMENTS AND CONTINGENCIES

adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal grants 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 or reductions of the grants, it is believed that any required reimbursement will not be material.

State School Building Lease-Purchase and County School Facilities Funds

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

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling \$7,153,925. Projects will be funded through Bond Proceeds, State School Building Lease-Purchase Grants, State Deferred Maintenance Allocations, Capital Facilities Funds, and General Funds.

NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement was issued in June 2015 and changes the approach to accounting and financial reporting established in Statement No. 68 to pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of entities and that are not within the scope of

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE

Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards for financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain employers for OPEB. The statement is effective for the fiscal year 2016-17.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE

reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMP ARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u> <u>General Fund</u>
Revenues			
Local control funding formula sources:			
State apportionments	\$ 219,662,455	\$ 213,630,368	\$ 213,630,368
Local sources	<u>12,170,597</u>	<u>18,426,380</u>	<u>18,426,379</u>
Total local control funding formula sources:	231,833,055	232,056,748	232,056,747
Federal sources	14,772,455	19,202,467	

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, 2016

<u>Actuarial</u> <u>Valuation Date</u>	Actuarial Value	Actuarial Value	Actuarial Value	Actuarial Value
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See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 9,293,888	\$ 12,530,465
Contributions in relation to the contractually required contribution	<u>9,293,888</u>	<u>12,530,465</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$106 million	 \$116.8 million
 Contributions as a percentage of covered-employee payroll	 8.88%	 10.73%

<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 4,216,681	\$ 4,599,351
Contributions in relation to the contractually required contribution	<u>4,216,681</u>	<u>4,599,351</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$36 Million	 \$38.8 Million
 Contributions as a percentage of covered-employee payroll	 11.771%	 11.847%

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

See the accompanying notes to the required supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2016

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, 2016 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Nancy G. O’Kelley	President	November 30, 2016
Dina Walker	Vice President	November 30, 2018
Edgar Montes	Member	November 30, 2018
Joseph Ayala	Member	November 30, 2016

RIALTO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 For the Fiscal Year Ended June 30, 2016

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Revised <u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	7,531	7,531
Extended year special education	4	3

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016

Grade Level	Minute Requirement	Actual Minutes	Number of Days		Status
			Traditional	Calendar	
Kindergarten	36,000	36,180	180		In Compliance
Grade 1	50,400	50,902	180		In Compliance
Grade 2	50,400	50,902	180		In Compliance
Grade 3	50,400	50,902	180		In Compliance
Grade 4	54,000	54,290	180		In Compliance
Grade 5	54,000	54,290	180		In Compliance
Grade 6	54,000	62,457	180		In Compliance
Grade 7	54,000	62,457	180		In Compliance
Grade 8	54,000	62,457	180		In Compliance
Grade 9	64,800	65,465	180		In Compliance
Grade 10	64,800	65,465	180		In Compliance
Grade 11	64,800	65,465	180		In Compliance
Grade 12	64,800	65,465	180		In Compliance

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
United States Department of Defense Pass-Through Program From California Department of Education:			
Junior Reserve Officers' Training Corps	12.000	(1)	<u>189,882</u>
Total U.S. Department of Defense			<u>189,882</u>
United States Department of Health and Human Services Pass-Through Program From California Department of Health Services:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	86,016
Medi-Cal Billing Option	93.778	10013	<u>362,347</u>
Total U.S. Department of Health and Human Services			<u>448,363</u>
Total Federal Programs			<u>\$ 29,798,221</u>

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016

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

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

There were no differences between the balances reported on the June 30, 2016 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has not met or exceeded its early funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (and its Guidance). Because the Schedule presents only a portion of operations of the District, it is not intended to and

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

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

Schedule of Charter Schools

The 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OPTIONAL SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

Adult Ed Fund	Child Development Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major
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See the accompanying notes to the Financial Statements for additional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2016

	Adult Ed Fund	Child Development Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues							
Other state sources	\$ 935,190	\$ 3,076,576	-	\$ 2,905,285	-	\$ 105,113	7,022,164
Other local sources	811	963,332	3,193,027	13,516	14,125	8,877,163	

See the accompanying notes to the Financial Statements for additional Supplementary Information

RIALTO UNIFIED SCHOOL DISTRICT

NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORT

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

Board of Education
Rialto Unified School District
Rialto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities 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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2016.

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 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 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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORT

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

Board of Education
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited Rialto Unified School District (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's findings section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Purpose of this Report

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

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Rialto Unified School District
Rialto, California

We have audited the Rialto Unified School District's (the District) compliance with the types of compliance requirements described in 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	No ²
Charter Schools:	
Attendance	No ¹
Mode of Instruction	No ¹
Nonclassroom Based Instruction/Independent Study	No ¹
Determination of Funding for Nonclassroom Based Instruction	No ¹
Annual Instructional Minutes – Classroom Based	No ¹
Charter School Facility Grant Program	No ¹

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

²The District was not listed on the immunization assessment reports

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

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 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 5, 2016

FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

2016-001 Internal Controls: Kucera Middle School ASB 30000

The minutes did include documentation of the approval of the ASB's budget; however, the budget was not included in the official minutes and was not signed or dated. As a result, the auditor was unable to rely that the budget provided was the budget that was adopted during the meeting approving the budget.

Revenue potential forms were not entirely completed. Missing data included amount collected versus potential, net profit and were not signed and dated.

One invoice that was selected for testing was not properly cancelled upon payment. In addition, NTE amounts on the purchase order did not equal NTE amount in the ASB cabinet minutes.

Void checks were not properly defaced upon inspection.

Documentation for two items selected for testing could not be located.

Context: Not applicable.

Effect: Possible misappropriation of funds, inaccurate records, clerical mistakes.

Cause: The overall control issues noted are primarily result of poor record keeping and retention.

Questioned Costs and Units: Not applicable.

Recommendation: It is recommended that management and the ASB implement closing and accounting procedures to ensure that the financial information is prepared in accordance with generally accepted accounting principles. All balances and transactions should be supported with adequate documentation to provide for an audit trail. Schedules and source documentation to support the balances in individual accounts and transactions that occurred should be on file and readily available for internal use and audit purposes.

Corrective Action Plan:

ASB Minutes & Budget

The ASB will maintain adequate minutes that reflect the discussions and actions of the ASB. The ASB will document the approval of the ASB budget in the meeting minutes. The budget will be signed and dated on the date it is approved. The ASB minutes include documentation of the general discussion and the following elements:

RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

2016-001	<u>Internal Controls: Kucera Middle School ASB</u>	30000
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RIALTO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2016

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2016.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2016

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state audits for the year ended June 30, 2016.

RIALTO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

2015-001 Nutrition Services Fund Structure

30000

Finding: Accounting procedures relate to the District's Nutrition Services Proprietary Fund do not conform to accounting requirements as defined in the California School Accounting Manual (CSAM). CSAM specifies that the cafeteria program may be accounted for as an enterprise fund rather than a special revenue fund (Fund 16) though its primary source of financing comes from federal and state child nutrition program revenues rather than through the price paid for meals by the students. The California Department of Education recommends that a District use an enterprise fund to account for its cafeteria operations only if the governing board intends to operate its cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing services, including depreciation of capital assets. When an enterprise fund is used to account for any activity, the fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as pension obligation, vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded. It is our understanding that the District wishes to operate the Nutrition Services fund in the above-described manner, however, the current accounting procedures do not support this. Our observations are as follows:

- 1) The District reported its Nutrition Services proprietary fund as a special revenue fund on the SCAS Unaudited Actuals report.
- 2) Special revenue funds do not have an account to record capital assets, thus no capital asset balances or activity were reported. This required an adjustment to beginning net position of \$5.1 million and additional current period adjustments of \$405,000 to properly reflect the balance of capital assets and current year depreciation.

Cause: The fund was classified incorrectly with the county office of education many years previously, thus the correct fund type is not available when the District utilizes the SACS software. Additionally, turnover in the Nutrition Services department has led to inconsistent accounting procedures that are still in the process of being revised.

Questioned Costs No specific amounts known to be misrepresented.

Recommendation:

- 1) Proprietary funds should be reported as Fund 61.
- 2) Proprietary funds should report all activity related to capital assets, including depreciation.

Current Status: Implemented.

