RIALTO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

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RIALTO UNIFIED SCHOOL DISTRICT

OF SAN BERNARDINO COUNTY

RIALTO, CALIFORNIA

JUNE 30, 2008

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Dan L. Mays	President	2008
Mr. Walter S. Hawkins	Vice President	2008
Mr. Dennis W. Mobley	Clerk	2008
Mrs. Joanne T. Gilbert	Member	2010
Dr. John R. Kazalunas	Member	2010

ADMINISTRATION

Ms. Edna E. Davis-Herring	Superintendent
Dr. Joseph G. Davis	Deputy Superintendent, Business Services
Dr. Michael E. Brown	Assistant Superintendent, Instructional Services Elementary Education
Ms. Gail Mathews	Assistant Superintendent, Instructional Services Secondary Education
Ms. Anna M. Rodriguez	Assistant Superintendent, Personnel Services

RIALTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Rialto Unified School District
Rialto, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information and other postemployment benefits on pages 59 and 60, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and the General Fund and Cafeteria Account Selected Financial Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

RIALTO UNIFIED SCHOOL DISTRICT

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

EDNA D. HERRING
Superintendent

BOARD OF EDUCATION

Joanne T. Gilbert

Walter S. Hawkins

John R. Kazalunas, Ed.D.

Dan L. Mays

Dennis W. Mobley

JOSEPH G. DAVIS
Deputy Superintendent
Business Services

This section of Rialto Unified School District's (the District) 2007-2008 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008, with comparative information for June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $326.4 million for the fiscal year ended June 30, 2008, and $274.9 million for the fiscal year ended June 30, 2007. Of this amount, $28.9 million and $29.8 million were unrestricted for June 30, 2008, and June 30, 2007, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental and business-type activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	$ 109.9	$ 107.6	$ 6.3	$ 6.7	$ 116.2	$ 114.3
Capital assets	310.9	262.6	8.0	5.1	318.9	267.7
Total Assets	**420.8**	**370.2**	**14.3**	**11.8**	**435.1**	**382.0**
Liabilities						
Current liabilities	28.1	29.4	-	0.6	28.1	30.0
Long-term obligations	80.6	77.1	-	-	80.6	77.1
Total Liabilities	**108.7**	**106.5**	**-**	**0.6**	**108.7**	**107.1**
Net Assets						
Invested in capital assets, net of related debt	235.8	189.7	8.0	5.1	243.8	194.8
Restricted	53.7	50.3	-	-	53.7	50.3
Unrestricted	22.6	23.7	6.3	6.1	28.9	29.8
Total Net Assets	**$ 312.1**	**$ 263.7**	**$ 14.3**	**$ 11.2**	**$ 326.4**	**$ 274.9**

The $22.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. Increases are due to additional State and Federal Grants.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 1.3	$ 2.2	$ 2.4	$ 2.6	$ 3.7	$ 4.8
Operating grants and contributions	59.6	55.7	11.4	10.7	71.0	66.4
Capital grants and contributions	33.4	38.3	-	-	33.4	38.3
General revenues:						
Federal and State aid not restricted	170.7	166.5	-	-	170.7	166.5
Property taxes	14.5	14.5	-	-	14.5	14.5
Other general revenues	13.0	17.4	-	0.1	13.0	17.5
Total Revenues	**292.5**	**294.6**	**13.8**	**13.4**	**306.3**	**308.0**
Expenses						
Instruction-related	189.2	183.3	-	-	189.2	183.3
Student support services	16.1	14.4	-	-	16.1	14.4
Administration	13.1	13.6	-	-	13.1	13.6
Maintenance and operations	19.2	28.5	-	-	19.2	28.5
Food services	-	-	12.9	12.5	12.9	12.5
Other	4.3	4.3	-	-	4.3	4.3
Total Expenses	**241.9**	**244.1**	**12.9**	**12.5**	**254.8**	**256.6**
Excess (Deficiency)	50.6	50.5	0.9	0.9	51.5	51.4
Transfers	(2.1)	1.8	2.1	(1.8)	-	-
Change in Net Assets	**$ 48.5**	**$ 52.3**	**$ 3.0**	**$ (0.9)**	**$ 51.5**	**$ 51.4**

Governmental and Business-Type Activities

As reported in the *Statement of Activities* on page 15, the cost of all of the District's activities this year was $254.8 million and $256.6 million for June 30, 2008, and June 30, 2007, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was $14.5 million and $14.5 million for June 30, 2008, and June 30, 2007, The cost was paid by those who benefited from the programs, $4.8 million and $3.7 million for June 30, 2008, and June 30, 2007, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of $70.9 million and $66.4 million for June 30, 2008, and June 30, 2007, respectively. We paid for the remaining "public benefit" portion of our governmental activities with $170.7 million and $166.5 million for June 30, 2008, and June 30, 2007, respectively, in State funds and with other revenues, like interest and general entitlements.

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

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	$ 151.0	$ 146.5	$ 85.3	$ 79.1
Instruction-related activities	20.4	19.2	3.8	2.7
School administration	17.8	17.6	15.3	15.2
Home-to-school transportation	4.6	4.1	3.7	3.3
Other pupil services	11.5	10.3	8.5	7.6
General administration	13.1	13.6	9.9	11.2
Plant services	19.2	28.5	17.0	25.2
Other	4.3	4.3	4.0	3.6
Total	**$ 241.9**	**$ 244.1**	**$ 147.5**	**$ 147.9**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $80.5 million as of June 30, 2008, which is an increase of $3.3 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General Fund	$ 28.6	$ 247.8	$ 235.5	$ 40.9
County School Facilities	24.7	33.4	34.1	24.0
Adult Education	0.3	0.7	0.7	0.3
Child Development	0.4	3.6	3.3	0.7
Deferred Maintenance	2.8	2.5	3.6	1.7
Building	1.6	0.1	1.5	0.2
Capital Facilities	4.5	5.7	3.5	6.7
Special Reserve Capital Outlay	8.3	1.0	8.6	0.7
Bond Interest and Redemption	5.6	4.2	4.5	5.3
COP Debt Service	0.4	0.7	1.1	-
Total	**$ 77.2**	**$ 299.7**	**$ 296.4**	**$ 80.5**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased by $12.3 million to $40.9 million. This increase is due to the increase in State and Federal grants.
b. Our Building Fund showed a net decrease of approximately $1.4 million due to the completion of various modernization projects and phase 3 and 4 of Carter High School.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 25, 2008. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 59.

- Significant revenue revisions made to the 2007-2008 Budget were due to increased funding from State and Federal Grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, and June 30, 2007, the District had $318.9 million and $267.7 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of $51.2 million, or 19.1 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and construction in progress	$ 88.5	$ 45.9	$ -	$ -	$ 88.5	$ 45.9
Buildings and improvements	204.5	207.7	7.5	4.4	212.0	212.1
Furniture and equipment	17.9	9.0	0.5	0.7	18.4	9.7
Total	**$ 310.9**	**$ 262.6**	**$ 8.0**	**$ 5.1**	**$ 318.9**	**$ 267.7**

This year's total additions of $12 million included construction in process, vehicles, cafeteria equipment, and classroom equipment such as computers.

Several capital projects are planned for the 2008-09 year. We anticipate major capital additions to be $27.4 million for the 2008-09 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Major Additions July 1, 2007 to June 30, 2008:

Capital Projects	Contract Amount	Remaining Construction Commitment	Expected Date of Completion
Elementary #18	$ 22,431,215	$ 1,034,015	7/2008
Elementary #19	20,593,184	13,175,246	7/2009
9th Grade Campus/MS 6	47,207,625	12,574,546	7/2009
Nutrition Services	5,117,000	596,776	1/2009
	$ 95,349,024	$ 27,380,583	

Long-Term Obligations

At the end of this year, the District had $80.6 million in long-term obligations outstanding versus $77.1 million last year, a slight decrease from the previous year.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds (financed with property taxes)	$ 54.7	$ 56.5	$ -	$ -	$ 54.7	$ 56.5
Certificates of participation	15.3	15.7	-	-	15.3	15.7
Capitalized lease obligations	-	0.1	-	-	-	0.1
Child care facilities revolving fund	0.9	0.8	-	-	0.9	0.8
City of Rialto	6.1	2.7	-	-	6.1	2.7
Other	3.6	1.3	-	-	3.6	1.3
Total	**$ 80.6**	**$ 77.1**	**$ -**	**$ -**	**$ 80.6**	**$ 77.1**

The District's general obligation bond rating continues to be "A-". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of $60 million is below the statutorily-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-09 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

Financial

1. 3.0 percent projected student enrollment decline.
2. 5.66 percent Cost of Living Adjustment (COLA) on Revenue Limit and all other Revenues and with a 5.36 percent deficit.
3. Negotiations with unions for salary increases are on-going.
4. A $651 increase for health and welfare benefits for each full-time employee.
5. Utility costs projected to increase by 5.00 percent.
6. Developer fee collections are based on estimated new housing units to be constructed.
7. No increase in Federal and State income.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Kindergarten	32:1	1,903
Grades one and two	20:1	4,171
Grades three through five	32:1	6,447
Grades six through eight	26.5:1	6,492
Grades nine through twelve	27.5:1	8,521
Total		27,534

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 84,578,472	$ 4,693,400	$ 89,271,872
Receivables	23,181,066	1,713,270	24,894,336
Internal balances	507,811	(507,811)	-
Prepaid expenses	1,000	-	1,000
Stores inventories	151,717	415,200	566,917
Deferred cost on issuance	1,543,858	-	1,543,858
Capital assets			
Land and work in process	88,535,989	-	88,535,989
Other capital assets	321,833,904	10,807,267	332,641,171
Less: accumulated depreciation	(99,466,571)	(2,775,650)	(102,242,221)
Total Capital Assets	310,903,322	8,031,617	318,934,939
Total Assets	420,867,246	14,345,676	435,212,922
LIABILITIES			
Accounts payable	25,952,304	21,074	25,973,378
Accrued interest payable	1,059,789	-	1,059,789
Deferred revenue	1,157,141	-	1,157,141
Long-term obligations			
Current portion of long-term obligations	3,270,966	-	3,270,966
Noncurrent portion of long-term obligations	77,300,757	-	77,300,757
Total Long-Term Obligations	80,571,723	-	80,571,723
Total Liabilities	108,740,957	21,074	108,762,031
NET ASSETS			
Invested in capital assets, net of related debt	235,771,434	8,031,617	243,803,051
Restricted for:			
Debt service	4,228,061	-	4,228,061
Capital projects	30,719,508	-	30,719,508
Educational programs	16,176,251	-	16,176,251
Other activities	2,668,370	-	2,668,370
Unrestricted	22,562,665	6,292,985	28,855,650
Total Net Assets	$ 312,126,289	$ 14,324,602	$ 326,450,891

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

RIALTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
Instruction	$ 150,969,107	$ 952,281	$ 31,300,637	$ 33,426,689
Instruction-related activities:				
Supervision of instruction	17,121,054	331,430	16,063,770	-
Instructional library, media, and technology	3,266,728	-	154,251	-
School site administration	17,813,318	-	2,513,122	-
Pupil services:				
Home-to-school transportation	4,609,196	-	927,616	-
Food services	62,410	-	-	-
All other pupil services	11,439,569	-	2,977,170	-
General administration:				
Data processing	3,560,196	-	-	-
All other general administration	9,493,142	-	3,169,924	-
Plant services	19,192,437	59,983	2,144,758	-
Community services	36,637	-	55,262	-
Interest on long-term obligations	3,690,855	-	-	-
Other outgo	618,450	3,055	266,979	-
Total Governmental Activities	241,873,099	1,346,749	59,573,489	33,426,689
Business-Type Activities				
Food services	12,894,791	2,390,734	11,356,098	-
Total Business-Type Activities	12,894,791	2,390,734	11,356,098	-
Total School District	$ 254,767,890	$ 3,737,483	$ 70,929,587	$ 33,426,689

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

Subtotal, General Revenues

Excess (Deficiency) of Revenues Over Expenses Before Transfers

Transfers

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (85,289,500)	$ -	$ (85,289,500)
(725,854)	-	(725,854)
(3,112,477)	-	(3,112,477)
(15,300,196)	-	(15,300,196)
(3,681,580)	-	(3,681,580)
(62,410)	-	(62,410)
(8,462,399)	-	(8,462,399)
(3,560,196)	-	(3,560,196)
(6,323,218)	-	(6,323,218)
(16,987,696)	-	(16,987,696)
18,625	-	18,625
(3,690,855)	-	(3,690,855)
(348,416)	-	(348,416)
(147,526,172)	-	(147,526,172)
-	852,041	852,041
-	852,041	852,041
(147,526,172)	852,041	(146,674,131)
10,477,314	-	10,477,314
3,849,915	-	3,849,915
106,747	-	106,747
170,719,261	-	170,719,261
2,144,665	52,003	2,196,668
379,054	-	379,054
10,427,413	-	10,427,413
198,104,369	52,003	198,156,372
50,578,197	904,044	51,482,241
(2,139,880)	2,139,880	-
48,438,317	3,043,924	51,482,241
263,687,972	11,280,678	274,968,650
$ 312,126,289	$ 14,324,602	$ 326,450,891

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 37,653,755	$ 30,035,925	$ 16,122,592	$ 83,812,272
Receivables	22,143,583	408,506	627,530	23,179,619
Due from other funds	704,423	-	202,494	906,917
Prepaid expenditures	1,000	-	-	1,000
Stores inventories	151,717	-	-	151,717
Total Assets	$ 60,654,478	$ 30,444,431	$ 16,952,616	$ 108,051,525
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 18,355,412	$ 6,380,626	$ 1,216,266	$ 25,952,304
Due to other funds	218,074	-	181,032	399,106
Deferred revenue	1,157,141	-	-	1,157,141
Total Liabilities	19,730,627	6,380,626	1,397,298	27,508,551
FUND BALANCES				
Reserved:				
Revolving cash	50,000	-	-	50,000
Stores inventories	151,717	-	-	151,717
Prepaid expenditures	1,000	-	-	1,000
Legally restricted balances	16,176,251	-	-	16,176,251
Unreserved:				
Designated	7,107,861	-	-	7,107,861
Undesignated, reported in:				
General Fund	17,437,022	-	-	17,437,022
Special revenue funds	-	-	2,668,370	2,668,370
Debt service funds	-	-	5,287,850	5,287,850
Capital projects funds	-	24,063,805	7,599,098	31,662,903
Total Fund Balances	40,923,851	24,063,805	15,555,318	80,542,974
Total Liabilities and Fund Balances	$ 60,654,478	$ 30,444,431	$ 16,952,616	$ 108,051,525

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

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balance - Governmental Funds		**$ 80,542,974**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 410,369,893	
Accumulated depreciation is	(99,466,571)	310,903,322
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,543,858
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,059,789)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		767,647
Long-term obligations, including General Obligation Bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
1999 General Obligation Bonds	(54,107,527)	
2006 Certificates of Participation	(4,700,000)	
1997 Refunding Certificates of Participation	(10,590,000)	
Premium on debt issuances	(572,580)	
Discount on debt issuances	16,481	
Child Care Facilities Revolving Fund	(877,434)	
City of Rialto Redevelopment Agency Loan	(6,080,361)	
Other postemployment benefits (OPEB)	(2,641,576)	
Estimated insurance claims	(300,000)	
Accumulated vacation (net)	(718,726)	
Total Long-Term Obligations		(80,571,723)
Total Net Assets - Governmental Activities		**$ 312,126,289**

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

RIALTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	$ 161,544,376	$ -	$ 592,981	$ 162,137,357
Federal sources	19,367,687	-	6,438	19,374,125
Other State sources	50,505,028	31,497,959	4,225,822	86,228,809
Other local sources	15,630,304	1,928,730	7,126,328	24,685,362
Total Revenues	247,047,395	33,426,689	11,951,569	292,425,653
EXPENDITURES				
Current				
Instruction	141,426,248	-	2,475,401	143,901,649
Instruction-related activities:				
Supervision of instruction	16,692,615	-	231,716	16,924,331
Instructional library, media, and technology	3,215,333	-	-	3,215,333
School site administration	17,009,162	-	534,855	17,544,017
Pupil services:				
Home-to-school transportation	4,608,783	-	-	4,608,783
Food services	205	-	-	205
All other pupil services	10,868,034	-	49,002	10,917,036
General administration:				
Data processing	3,622,800	-	-	3,622,800
All other general administration	8,770,552	-	207,996	8,978,548
Plant services	25,067,615	-	4,533,580	29,601,195
Facility acquisition and construction	585,324	34,088,773	12,351,243	47,025,340
Community services	35,794	-	-	35,794
Other outgo	618,450	-	-	618,450
Debt service				
Principal	36,717	-	3,121,833	3,158,550
Interest and other	2,667	-	3,348,585	3,351,252
Total Expenditures	232,560,299	34,088,773	26,854,211	293,503,283
Excess (Deficiency) of Revenues Over Expenditures	14,487,096	(662,084)	(14,902,642)	(1,077,630)
Other Financing Sources (Uses)				
Transfers in	744,907	-	2,878,928	3,623,835
Other sources	-	-	3,663,621	3,663,621
Transfers out	(2,923,094)	-	(5,021)	(2,928,115)
Net Financing Sources (Uses)	(2,178,187)	-	6,537,528	4,359,341
NET CHANGE IN FUND BALANCES	12,308,909	(662,084)	(8,365,114)	3,281,711
Fund Balance - Beginning	28,614,942	24,725,889	23,920,432	77,261,263
Fund Balance - Ending	$ 40,923,851	$ 24,063,805	$ 15,555,318	$ 80,542,974

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds		$ **3,281,711**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 59,836,001	
Depreciation expense	(8,697,284)	51,138,717
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(2,118)
In the statement of activities, a capital contribution for capital assets was made from governmental activities to business-type activities. However, in the governmental funds, the contribution would not be reported as there has been no flow of current financial resources.		(2,835,600)
An internal service fund is used by the District's management to charge the costs of the deductible portion of property and liability claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		27,761
In the statement of activities, certain operating expenses - insurance claims are measured by the amounts incurred during the year based upon actuarial assumptions. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The claims liability paid was more than the amounts incurred.		23,000
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(2,641,576)
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used.		(320,740)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued)
JUNE 30, 2008

Proceeds received from long-term obligations is revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:	
Proceeds from City of Rialto Redevelopment Agency Loan	$ (3,390,000)
Child Care Facilities Revolving Fund	(260,000)
Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:	
1999 General Obligation Bonds	2,415,000
2006 Certificates of Participation	70,000
1997 Refunding Certificates of Participation	315,000
Capital Leases	138,993
Child Care Facilities Revolving Fund	197,014
City of Rialto Redevelopment Agency Loan	22,543
Supplemental Early Retirement Plan (SERP)	611,836
If debt is issued at a discount or a premium in governmental funds, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide financial statements, the premium or discount is amortized as interest over the life of the debt. The difference between the premium/discount recognized in the current period and the amortization for the period is:	15,274
Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide financial statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:	344,907
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation increased by $45,356, and second, $668,049 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(713,405)
Change in Net Assets of Governmental Activities	**$ 48,438,317**

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

RIALTO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 4,693,400	$ 766,200
Receivables	1,713,270	1,447
Due from other funds	63,898	-
Stores inventories	415,200	-
Total Current Assets	6,885,768	767,647
Noncurrent Assets		
Capital assets	10,807,267	-
Less: accumulated depreciation	(2,775,650)	-
Total Noncurrent Assets	8,031,617	-
Total Assets	14,917,385	767,647
LIABILITIES		
Current Liabilities		
Accounts payable	21,074	-
Due to other funds	571,709	-
Total Current Liabilities	592,783	-
NET ASSETS		
Invested in capital assets	8,031,617	-
Unrestricted	6,292,985	767,647
Total Net Assets	$ 14,324,602	$ 767,647

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

RIALTO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Food service sales	$ 2,390,734	$ -
Total Operating Revenues	2,390,734	-
OPERATING EXPENSES		
Payroll costs	4,791,882	-
Professional and contract services	162,017	-
Supplies and materials	6,877,213	-
Other operating cost	738,284	-
Depreciation expense	325,395	-
Total Operating Expenses	12,894,791	-
Operating Loss	(10,504,057)	-
NONOPERATING REVENUES (EXPENSES)		
Interest income	52,003	27,761
Grants	11,356,098	-
Transfers in	-	739,886
Transfers out	(695,720)	(739,886)
Total Nonoperating Revenues (Expenses)	10,712,381	27,761
Income Before Capital Contributions	208,324	27,761
Capital Contributions	2,835,600	-
Change in Net Assets	3,043,924	27,761
Total Net Assets - Beginning	11,280,678	739,886
Total Net Assets - Ending	$ 14,324,602	$ 767,647

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

RIALTO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 4,274,961	$ -
Cash payments to other suppliers of goods or services	(8,820,603)	-
Cash payments to employees for services	(4,791,882)	-
Other operating cash payments	(738,284)	-
Net Cash Used by Operating Activities	(10,075,808)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	10,685,663	-
Transfer from other fund		(739,886)
Transfer to other fund	(695,720)	739,886
Net Cash Provided by Noncapital Financing Activities	9,989,943	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(402,905)	-
Net Cash Used by Capital and Related Financing Activities	(402,905)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	52,003	34,640
Net Cash Provided by Investing Activities	52,003	34,640
Net Increase (Decrease) in Cash and Cash Equivalents	(436,767)	34,640
Cash and Cash Equivalents - Beginning	5,130,167	731,560
Cash and Cash Equivalents - Ending	$ 4,693,400	$ 766,200

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Services	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (10,504,057)	$ -
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	325,395	-
Commodities used	670,435	-
Changes in assets and liabilities:		
Receivables	762,940	-
Due from other funds	1,121,287	-
Stores inventories	33,509	-
Accounts payable	(539,249)	-
Due to other funds	(1,946,068)	-
NET CASH USED FOR OPERATING ACTIVITIES	$ (10,075,808)	$ -

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received $670,435 of food commodities from the U.S. Department of Agriculture.

NONCASH, CAPITAL FINANCING ACTIVITIES

During the year, the District received $2,835,600 of capital contributions for capital assets from the Special Reserve Capital Outlay Fund.

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

RIALTO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Agency Funds
ASSETS	
Deposits and investments	$ 759,329
Receivables	16,248
Prepaid expenses	8,800
Stores inventories	17,879
Total Assets	$ 802,256
LIABILITIES	
Accounts payable	$ 106,902
Due to student groups	695,354
Total Liabilities	$ 802,256

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

Other Related Entities

Joint Powers Agencies and Public Entity Risk Pools The District is associated with three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. These organizations are:

Protected Insurance Program for Schools (PIPS)
Southern California Regional Liability Excess Fund (SoCal ReliEF)
Schools Excess Liability Fund (SELF)

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums, and Discounts

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

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

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports $53,792,190 of restricted net assets subject to enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide OPEB as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of $3,714,051 for the year ended June 30, 2008, and made a contribution of $1,072,475 resulting in an OPEB obligation of $2,641,576.

In July 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008.

New Accounting Pronouncements

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	$ 84,578,472
Business-type activities	4,693,400
Fiduciary funds	759,329
Total Deposits and Investments	$ 90,031,201

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	$ 5,452,729
Cash in revolving	50,000
Cash with fiscal agent/trustee	2,897,521
Investments	81,630,951
Total Deposits and Investments	$ 90,031,201

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the San Bernardino County Investment Pool. The pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the San Bernardino County Investment Pool with a fair value of approximately $81,712,849. The average weighted maturity for this pool is 341 days. In addition, the District maintains an investment of $24,612 with First American Treasury Obligations Money Market Mutual Funds. Fair value for this investment approximates the stated value of $24,612, and this investment has an average weighted maturity of 19 days.

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of $5,453,535 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Fund
Federal Government							
Categorical aid	$ 3,595,488	$ -	$ 2,231	$ -	$ 3,597,719	$ 1,601,515	$ -
State Government							
Apportionment	11,607,905	-	38,300	-	11,646,205	-	-
Categorical aid	3,504,620	-	477,327	-	3,981,947	106,538	-
Lottery	1,811,021	-	-	-	1,811,021	-	-
Local Government							
Due from ROP	672,796	-	-	-	672,796	-	-
Interest	432,589	408,506	105,448	1,447	947,990	5,217	16,248
Other Local Sources	519,164	-	4,224	-	523,388	-	-
Total	$22,143,583	$ 408,506	$ 627,530	$ 1,447	$ 23,181,066	$ 1,713,270	$ 16,248

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 21,256,732	$ -	$ -	$ 21,256,732
Construction in process	24,665,330	44,773,156	2,159,229	67,279,257
Total Capital Assets Not Being Depreciated	45,922,062	44,773,156	2,159,229	88,535,989
Capital Assets Being Depreciated				
Land improvements	12,995,494	222,711	-	13,218,205
Buildings and improvements	252,871,394	2,670,811	-	255,542,205
Furniture and equipment	41,623,429	11,492,952	42,887	53,073,494
Total Capital Assets Being Depreciated	307,490,317	14,386,474	42,887	321,833,904
Less Accumulated Depreciation				
Land improvements	6,565,494	603,559	-	7,169,053
Buildings and improvements	51,773,694	5,290,677	-	57,064,371
Furniture and equipment	32,470,868	2,803,048	40,769	35,233,147
Total Accumulated Depreciation	90,810,056	8,697,284	40,769	99,466,571
Governmental Activities Capital Assets, Net	$ 262,602,323	$ 50,462,346	$ 2,161,347	$ 310,903,322
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	$ 5,825,036	$ 3,238,505	$ -	$ 9,063,541
Furniture and equipment	1,743,726	-	-	1,743,726
Total Capital Assets Being Depreciated	7,568,762	3,238,505	-	10,807,267
Less Accumulated Depreciation				
Buildings and improvements	1,385,335	236,062	-	1,621,397
Furniture and equipment	1,064,920	89,333	-	1,154,253
Total Accumulated Depreciation	2,450,255	325,395	-	2,775,650
Business-Type Activities Capital Assets, Net	$ 5,118,507	$ 2,913,110	$ -	$ 8,031,617

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

Governmental Activities		
Instruction	$	7,044,800
All other pupil services		347,891
All other general administration		434,864
Plant services		869,729
Total Depreciation Expenses Governmental Activities		8,697,284
Business-Type Activities		
Food services		325,395
Total Depreciation Expenses All Activities	$	9,022,679

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, and major enterprise funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Food Service Enterprise Fund	Total
General Fund	$ -	$ 132,714	$ 571,709	$ 704,423
Non-Major Governmental Funds	202,494	-	-	202,494
Food Service Enterprise Fund	15,580	48,318	-	63,898
Total	$ 218,074	$ 181,032	$ 571,709	$ 970,815

The balance of $571,709 due to the General Fund from the Food Service Enterprise Fund resulted from salaries and benefits to be reimbursed.

A balance of $33,187 due to the General Fund from the Adult Education Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

A balance of $99,527 due to the General Fund from the Child Development Non-Major Governmental Fund is for the reimbursement of salaries, benefits and indirect costs.

The balance of $202,494 due to the Child Development Non-Major Governmental Fund from the General Fund is for the reimbursement of program costs.

The balance of $15,580 due to the Food Service Enterprise Fund from the General Fund resulted from catering services to be reimbursed.

Of the $48,318 due to the Food Service Enterprise Fund from the Non-Major Governmental Funds, $42,425 is due from the Special Reserve Capital Outlay Fund for the reimbursement of modernization costs and the remaining $5,893 is due from the Child Development Fund for catering services to be reimbursed.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made between funds.

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfer From				
Transfer To	General Fund	Non-Major Governmental Funds	Food Service Enterprise Fund	Internal Service Fund	Total
General Fund	$ -	$ 5,021	$ -	$ 739,886	$ 744,907
Non-Major Governmental Funds	2,183,208	-	695,720	-	2,878,928
Internal Service Fund	739,886	-	-	-	739,886
Total	$ 2,923,094	$ 5,021	$ 695,720	$ 739,886	$ 4,363,721

The General Fund transferred to the following Non-Major Governmental Funds:		
Adult Education Fund for lottery transfer.	$ 25,540	
Child Development Fund for Cal-Safe program costs.	202,494	
Deferred Maintenance Fund for the State match.	1,255,874	
COP Debt Service Fund for debt service payment.	699,300	$ 2,183,208
The General Fund transferred to the Internal Service Fund to reserve for self-insured dental and vision programs.		739,886
The Internal Service Fund transferred to the General Fund for excess self-insurance reserves.		739,886
The Adult Education Non-Major Governmental Fund transferred to the General Fund for reimbursement of program operation costs.		5,021
The Food Service Enterprise Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for future modernization.		695,720
Total		$ 4,363,721

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Food Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	$ 12,025,542	$ -	$ 182,532	$ 12,208,074	$ -	$ -
State apportionment	370,192	-	-	370,192	-	-
Books and supplies	1,448,339	-	10,502	1,458,841	-	-
Services	4,063,451	32,858	295,470	4,391,779	-	-
Construction	308,044	6,347,687	724,710	7,380,441	18,762	-
All other payables	139,844	81	3,052	142,977	2,312	106,902
Total	$ 18,355,412	$ 6,380,626	$ 1,216,266	$ 25,952,304	$ 21,074	$ 106,902

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	$ 1,138,039
State categorical aid	19,102
Total	$ 1,157,141

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
1999 General Obligation Bonds, Series A	$ 17,684,478	$ 668,049	$ 1,260,000	$ 17,092,527	$1,325,000
1999 General Obligation Bonds, Series B	18,720,000	-	590,000	18,130,000	600,000
Premium on Issuance	292,674	-	15,371	277,303	-
1999 General Obligation Bonds, Series C	19,450,000	-	565,000	18,885,000	585,000
Premium on Issuance	295,013	-	14,048	280,965	-
2006 Certificates of Participation	4,770,000	-	70,000	4,700,000	110,000
Discount on Issuance	(17,198)	-	(717)	(16,481)	-
1997 Refunding Certificates of Participation	10,905,000	-	315,000	10,590,000	330,000
Premium on Issuance	884	-	42	842	-
Capital leases	138,993	-	138,993	-	-
Child Care Facilities Revolving Fund	814,448	260,000	197,014	877,434	197,014
City of Rialto Redevelopment Agency Loan	2,712,904	3,390,000	22,543	6,080,361	123,952
Premium on Issuance	-	13,621	151	13,470	-
Supplemental Early Retirement Plan (SERP)	611,836	-	611,836	-	-
Estimated insurance claims	323,000	-	23,000	300,000	-
Accumulated vacation - net	397,986	320,740	-	718,726	-
Other postemployment benefits	-	2,641,576	-	2,641,576	-
	$ 77,100,018	$7,293,986	$ 3,822,281	$ 80,571,723	$3,270,966

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted	Redeemed	Bonds Outstanding End of Year
6/1/2000	2025	4.75-6.25%	$ 19,995,038	$ 17,684,478	$ -	$ 668,049	$ 1,260,000	$ 17,092,527
1/24/2003	2027	4.00-6.00%	20,000,000	18,720,000	-	-	590,000	18,130,000
5/5/2004	2028	3.00-5.125%	20,000,000	19,450,000	-	-	565,000	18,885,000
				$ 55,854,478	$ -	$ 668,049	$ 2,415,000	$ 54,107,527

1999 General Obligation Refunding Bonds, Series A

On June 1, 2000, the District issued current and capital appreciation, 1999 General Obligation Refunding Bonds, Series A in the amount of $19,995,038 (accreting to $38,730,000) in order to raise money to repair and construct school facilities. The bonds have a maturity date of June 1, 2025, with interest rates varying from 4.75 to 6.25 percent. At June 30, 2008, 1999 General Obligation Refunding Bonds, Series A, totaling $17,092,527 were still outstanding.

1999 General Obligation Bonds, Series B

On January 24, 2003, the District issued $20,000,000 of 1999 General Obligation Bonds, Series B. The Bonds were issued at an aggregate price of $20,000,000 (representing the principal amount of $20,000,000 plus original issue premium of $368,915 less underwriter's discount of $241,515, and additional issuance related costs of $127,400). The bonds have a maturity date of August 1, 2027, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the sale of the bonds were used to finance the cost of acquisition or improvement of real property, including the construction and equipping of certain school facilities and improvements within and for the District. Unamortized premium on issuance was $277,303 as of June 30, 2008. Deferred costs on issuance, including underwriter's discount and other issuance related costs outstanding, were $277,303 as of June 30, 2008. At June 30, 2008, 1999 General Obligation Bonds, Series B totaling $18,130,000 were still outstanding.

1999 General Obligation Bond, Series C

On May 5, 2004, the District issued $20,000,000 of 1999 General Obligation Bonds, Series C. The bonds were issued at an aggregate price of $20,037,557 (representing the principal amount of $20,000,000 plus original issue premium of $337,157 less underwriter's discount of $96,600 and additional issuance related costs of $203,000). The bonds have a maturity date of August 1, 2028, with interest rates varying from 3.00 to 5.125 percent. Proceeds from the sale of the bonds will be used to finance the repair, construction, and upgrading of school sites and facilities and the acquisition of land within the District. Unamortized premium on issuance as of June 30, 2008, was $280,965. Deferred costs on issuance, including underwriter's discount and other issuance related costs totaling $249,668, were outstanding as of June 30, 2008. As of June 30, 2008, 1999 General Obligation Bonds, Series C totaling $18,885,000 were still outstanding.

The 1999 General Obligation Bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2009	$ 2,510,000	$ -	$ 2,014,578	$ 4,524,578
2010	2,615,000	-	1,901,515	4,516,515
2011	2,735,000	-	1,770,153	4,505,153
2012	2,875,000	-	1,626,828	4,501,828
2013	2,588,847	432,281	1,474,715	4,495,843
2014-2018	12,862,248	3,159,899	6,433,063	22,455,210
2019-2023	13,346,414	4,544,432	4,480,544	22,371,390
2024-2028	13,240,018	2,114,788	1,868,016	17,222,822
2029	1,335,000	-	34,209	1,369,209
Total	$ 54,107,527	$ 10,251,400	$ 21,603,621	$ 85,962,548

2006 Certificates of Participation

In June 2006, the District issued the 2006 Certificates of Participation in the amount of $4,770,000. The Certificates were issued at an aggregate price of $4,500,000 (representing the principal amount of $4,770,000 less discount on issuance of $17,915 and less issuance costs of $252,085). The Certificates have a maturity date of September 1, 2031, with interest rates varying from 4.00 to 6.00 percent. Proceeds from the Certificates, together with other available funds, will be used to finance the cost of acquisition and improvement of certain school facilities and land. Unamortized discount on issuance was $16,481 as of June 30, 2008. Deferred costs on issuance totaling $231,919 were outstanding as of June 30, 2008. At June 30, 2008, 2006 Certificates of Participation totaling $4,700,000 were still outstanding.

The Certificates mature through 2031 as follows:

Year Ending June 30,	Principal	Interest	Total
2009	$ 110,000	$ 206,150	$ 316,150
2010	120,000	199,250	319,250
2011	125,000	191,900	316,900
2012	135,000	184,100	319,100
2013	140,000	177,513	317,513
2014-2018	785,000	802,403	1,587,403
2019-2023	960,000	627,516	1,587,516
2024-2028	1,175,000	399,513	1,574,513
2029-2032	1,150,000	108,981	1,258,981
Total	$ 4,700,000	$ 2,897,326	$ 7,597,326

1997 Refunding Certificates of Participation

In September 1997, the District issued the 1997 Refunding Certificates of Participation in the amount of $12,530,000, with the Certificates being subject to mandatory tender and remarketing in September 2002. Interest represented by the Certificates was originally fixed through September 1, 2002. The District, the Corporation, and the trustee have amended the Trust Agreement to accommodate the remarketing and reoffering of the Certificates in a fixed interest mode through the respective maturity dates of the Certificates. As a result, the Certificates were reoffered at $12,040,000 as of September 3, 2003, with the proceeds used to provide funds to purchase the Certificates from their current owners. Unamortized premium on issuance was $842 as of June 30, 2008. Deferred costs on issuance totaling $154,414 were outstanding as of June 30, 2008. As of June 30, 2008, 1997 Refunding Certificates of Participation totaling $10,590,000 were still outstanding.

The certificates mature through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2009	$ 330,000	$ 465,992	$ 795,992
2010	350,000	454,299	804,299
2011	360,000	442,054	802,054
2012	380,000	429,046	809,046
2013	395,000	414,753	809,753
2014-2018	2,295,000	1,807,688	4,102,688
2019-2023	2,870,000	1,240,436	4,110,436
2024-2028	3,610,000	467,181	4,077,181
Total	$ 10,590,000	$ 5,721,449	$ 16,311,449

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	Equipment
Balance, July 1, 2007	$ 152,933
Payments	(152,933)
Balance, June 30, 2008	$ -

Child Care Facilities Revolving Fund

During the 2000-2001 and 2001-2002 school years, the District entered into lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program bringing a total to date of fourteen agreements entered into. This program provides up to $150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2008, the outstanding balance was $877,434.

Year Ending June 30,	Total Payments
2009	$ 197,014
2010	197,014
2011	197,014
2012	143,360
2013	39,000
2014-2017	104,032
Total	$ 877,434

City of Rialto Redevelopment Agency Loan

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

During 2008, the District borrowed an additional $3,390,000 to complete the project. Proceeds from the loan were issued at an aggregate price of $3,000,000 (representing the principal amount of $3,390,000 plus a pro-rata share of the original issue premium determined to be $13,621, less the pro-rata share of costs of issuance determined to be $403,621). As of June 30, 2008, the outstanding balance was $6,080,361. Unamortized premium and costs of issuance at June 30, 2008, were $13,470 and $630,554, respectively.

The debt service schedule for the loan is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	$ 123,952	$ 208,494	$ 332,446
2010	78,952	303,865	382,817
2011	78,952	300,947	379,899
2012	84,656	298,028	382,684
2013	86,065	294,864	380,929
2014-2018	482,302	1,420,233	1,902,535
2019-2023	601,185	1,301,310	1,902,495
2024-2028	769,227	1,132,562	1,901,789
2029-2033	1,886,168	846,393	2,732,561
2034-2036	1,888,902	283,588	2,172,490
Total	$ 6,080,361	$ 6,390,284	$ 12,470,645

Supplementary Early Retirement Plan (SERP)

During 2003, 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 42 employees who retired during the 2002-2003 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2008, the balance was paid in full.

Estimated Insurance Claims

Liabilities for claims for all dental and vision cases are established based on estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balance as of June 30, 2008, of $300,000 were estimated and are reflected as an expenditure in the year payable from available resources. These claims are paid by the District's General Fund.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2008, amounted to $718,726.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2008, was $3,714,051 and contributions made by the District during the year were $1,072,475, which resulted in a net OPEB obligation of $2,641,576. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

NOTE 9 – FUND BALANCES

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

	General Fund
Reserved	
Revolving cash	$ 50,000
Stores inventories	151,717
Prepaid expenditures	1,000
Restricted programs	16,176,251
Total Reserved	16,378,968
Unreserved	
Designated	
Economic uncertainties	6,912,041
Other designations	195,820
Total Designated	7,107,861
Undesignated	17,437,022
Total Unreserved	24,544,883
Total	$ 40,923,851

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

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Rialto Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 166 retirees and beneficiaries currently receiving benefits, 14 terminated plan members entitled to but not yet receiving benefits, and 2,317 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2007-08, the District contributed $1,072,475 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 3,714,051
Contributions made	(1,072,475)
Increase in net OPEB obligation	2,641,576
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ 2,641,576

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended June 30, 2008	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	$ 3,714,051	29%	$ 2,641,576

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the February 1, 2007, actuarial valuation, the entry age-normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rate used was four percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at February 1, 2007, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 – RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. Employee health programs are administered by the General Fund through the purchase of commercial insurance. The District operates a dental, vision and life insurance coverage program, for which the District retains risk of loss, that is accounted for in the General Fund. The District also participates in public entity risk pools (JPA's) for various insurance coverage through the JPA's. Refer to Note 13 for additional information regarding the JPA's.

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

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2006 to June 30, 2008:

	Dental and Vision
Liability Balance, July 1, 2006	$ 350,000
Claims and changes in estimates	2,825,905
Claims payments	(2,852,905)
Liability Balance, June 30, 2007	323,000
Claims and changes in estimates	2,616,904
Claims payments	(2,639,904)
Liability Balance, June 30, 2008	$ 300,000

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were $9,280,653, $9,350,576, and $9,012,728, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. In accordance with bargaining unit agreements, the District is required to make contributions on behalf of the employee at a rate of 7.0 percent of annual payroll. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were $3,295,530, $3,144,894, and $2,842,786, respectively, and equal 100 percent of the required contributions for each year.

Alternative Retirement Plan

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

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

During the year, the District's required and actual contributions amounted to $234,684, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions matched that of the employer's.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $5,082,034 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008,

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Elementary #18	$ 1,034,015	07/01/08
Elementary #19	13,175,246	07/01/09
9th Grade Campus/Middle School #6	12,574,546	07/01/09
Nutrition Services	596,776	01/01/09
	$ 27,380,583	

Operating Leases

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

The following is a schedule, by years, of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

Year Ending June 30,	Lease Payment
2009	$ 975,960
2010	975,960
2011	456,650
Total	$ 2,408,570

Total expenditures charged for leases during 2008 were $975,960.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2008, the District made payments of $58,285, $3,168,504 and $805,360 to SELF, PIPS and SoCal ReLiEF, respectively, for the noted services.

REQUIRED SUPPLEMENTARY INFORMATION

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 160,930,947	$ 161,438,795	$ 161,544,376	$ 105,581
Federal sources	17,113,413	23,995,086	19,367,687	(4,627,399)
Other State sources	32,158,867	47,435,866	50,505,028	3,069,162
Other local sources	12,953,976	16,770,334	15,630,304	(1,140,030)
Total Revenues [1]	223,157,203	249,640,081	247,047,395	(2,592,686)
EXPENDITURES				
Current				
Instruction	133,109,174	150,314,857	141,426,248	8,888,609
Instruction-related activities				
Supervision of instruction	15,209,950	25,779,246	16,692,615	9,086,631
Instructional library, media and technology	2,333,287	2,876,732	3,215,333	(338,601)
School site administration	16,934,882	16,674,812	17,009,162	(334,350)
Pupil services				
Home-to-school transportation	1,912,308	1,911,683	4,608,783	(2,697,100)
Food services	-	-	205	(205)
All other pupil services	11,253,030	13,074,323	10,868,034	2,206,289
General administration:				
Data processing	3,755,511	3,926,943	3,622,800	304,143
All other general administration	8,703,770	8,290,726	8,770,552	(479,826)
Plant services	23,253,010	23,887,351	25,067,615	(1,180,264)
Facility acquisition and construction	268,494	1,309,335	585,324	724,011
Ancillary services	3,816,218	3,901,825	-	3,901,825
Community services	-	-	35,794	(35,794)
Other outgo	715,215	723,220	618,450	104,770
Debt service				
Principal	-	-	36,717	(36,717)
Interest	-	-	2,667	(2,667)
Total Expenditures [1]	221,264,849	252,671,053	232,560,299	20,110,754
Excess (Deficiency) of Revenues Over Expenditures	1,892,354	(3,030,972)	14,487,096	17,518,068
Other Financing Sources (Uses)				
Transfers in	-	-	744,907	744,907
Transfers out	1,911,840	3,428,094	(2,923,094)	(6,351,188)
Net Financing Sources (Uses)	1,911,840	3,428,094	(2,178,187)	(5,606,281)
NET CHANGE IN FUND BALANCES	3,804,194	397,122	12,308,909	11,911,787
Fund Balance - Beginning	28,614,942	28,614,942	28,614,942	-
Fund Balance - Ending	$ 32,419,136	$ 29,012,064	$ 40,923,851	$ 11,911,787

[1] On behalf payments of $5,082,034 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2008

Schedule of Funding Progress

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through from California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Improving Teacher Quality State Grants Cluster			
Title II - Part A, Improving Teacher Quality	84.367	14341	$ 1,443,446
Title II - Part A, Principal Training	84.367	14344	33,733
Subtotal - Improving Teacher Quality State Grants Cluster			1,477,179
Education Technology State Grants Cluster			
Title II - Part D, Enhancing Education Through Technology Formula Grant	84.318	14334	91,893
Title II - Part D, Enhancing Education Through Technology Competitive Grant	84.318	14368	590,604
Subtotal - Education Technology State Grants Cluster			682,497
English Language Acquisition Grants			
Title III - Immigrant Education	84.365	14346	57,200
Title III - Limited English Proficiency	84.365	10084	695,198
Subtotal - English Language Acquisition Grants Cluster			752,398
Individuals with Disabilities Education Act (IDEA)			
Passed through from East Valley SELPA:			
Special Education (IDEA) Cluster			
Local Assistance	84.027	13379	3,613,374
Preschool Entitlement	84.173	13430	69,072
Preschool Local	84.027A	13682	113,579
Preschool Development	84.173A	13431	484
Subtotal - Special Education (IDEA) Cluster			3,796,509

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
No Child Left Behind Act (NCLB)			
Title I - Part A, Basic Grants	84.010	14329	$ 7,734,954
Title I - Part B, Reading First	84.357	14328	2,025,736
Title I - Part G, Advanced Placement Test Fee	84.330	14831	37,830
Title II - Part B, California Math and Science Partnership	84.366	14512	697,371
Title IV - Safe and Drug-Free Schools	84.186	14347	165,647
Title V - Part A, Innovative Strategies	84.298A	14354	48,399
California Gear-Up Program	84.334A	10088	126,319
Vocational Education and Applied Technology Grant	84.048	13924	275,384
Total for U.S. Department of Education			17,820,223
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Care Development Fund Program Cluster			
Child Development Instructional Materials Grant	93.575	14130	3,464
Child Development Infant and Toddler Grant	93.575	13942	2,974
Subtotal - Child Care Development Fund Program Cluster			6,438
Medi-Cal Assistance Cluster			
Medi-Cal Billing	93.778	10013	38,593
Passed through San Bernardino County Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	1,080,941
Subtotal - Medi-Cal Assistance Cluster			1,119,534
Total for U.S. Department of Health and Human Services			1,125,972

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13390	$ 20,261
Especially Needy Breakfast Program	10.553	13390	1,839,294
Meal Supplements - Snacks	10.556	13392	129,794
National School Lunch Program	10.555	13396	7,795,230
Commodities	10.555	[1]	670,435
Subtotal - Child Nutrition Cluster			10,455,014
Forest Reserve	10.665	10044	65,727
Total for U.S. Department of Agriculture			10,520,741
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Army	12.000	JROTC 05055 79 AR RMRIV	60,574
Junior Reserve Officer Training Corps - Marine	12.000	JROTC05629 86 AF	69,254
Junior Reserve Officer Training Corps - Navy	12.000	JROTC081S	63,209
Total for U.S. Department of Defense			193,037
Total Federal Programs			$ 29,659,973

[1] Direct-funded program, no PCA number

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2008

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Dan L. Mays	President	2008
Mr. Walter S. Hawkins	Vice President	2008
Mr. Dennis W. Mobley	Clerk	2008
Mrs. Joanne T. Gilbert	Member	2010
Dr. John R. Kazalunas	Member	2010

ADMINISTRATION

Ms. Edna E. Davis-Herring	Superintendent
Dr. Joseph G. Davis	Deputy Superintendent, Business Services
Dr. Michael E. Brown	Assistant Superintendent, Instructional Services Elementary Education
Ms. Gail Mathews	Assistant Superintendent, Instructional Services Secondary Education
Ms. Anna M. Rodriguez	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Amended Annual Report	Second Period ADA Amended 2007-2008	Second Period ADA Amended 2006-2007	Increase (Decrease)
ELEMENTARY				
Kindergarten	1,976	1,974	1,922	52
First through third	6,090	6,102	6,427	(325)
Fourth through sixth	6,183	6,188	6,365	(177)
Seventh and eighth	4,083	4,105	4,280	(175)
Home and hospital	7	7	8	(1)
Community day school	4	4	3	1
Special education	367	366	354	12
Total Elementary	18,710	18,746	19,359	(613)
SECONDARY				
Regular classes	7,268	7,354	7,505	(151)
Continuation education	164	169	218	(49)
Home and hospital	4	4	9	(5)
Community day school	4	5	9	(4)
Special education	318	323	330	(7)
Total Secondary	7,758	7,855	8,071	(216)
Total K-12	26,468	26,601	27,430	(829)
CLASSES FOR ADULTS				
Concurrently enrolled	48	50	43	7
Not concurrently enrolled	200	209	181	28
Total Classes for Adults	248	259	224	35
Grand Total	26,716	26,860	27,654	(794)

	Hours of Attendance		
SUMMER SCHOOL			
Elementary	106,480	104,317	136,036
Secondary	194,619	194,103	252,401
Total Hours	301,099	298,420	388,437

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-1983 Actual Minutes	1986-1987 Minutes Requirement	2007-2008 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	36,000	36,432	180	176	Complied
Grades 1 - 3	47,520	50,400				
Grade 1			50,846	180	176	Complied
Grade 2			50,846	180	176	Complied
Grade 3			50,846	180	176	Complied
Grades 4 - 6	47,520	54,000				
Grade 4			54,168	180	176	Complied
Grade 5			54,168	180	176	Complied
Grade 6			61,920	180	-	Complied
Grades 7 - 8	61,600	54,000				
Grade 7			61,920	180	-	Complied
Grade 8			61,920	180	-	Complied
Grades 9 - 12	59,840	64,800				
Grade 9			65,108	180	-	Complied
Grade 10			65,108	180	-	Complied
Grade 11			65,108	180	-	Complied
Grade 12			65,108	180	-	Complied

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Capital Facilities Fund
FUND BALANCE	
Balance, June 30, 2008,	
Unaudited Actuals	$ 3,796,214
Increase in:	
Cash with fiscal agent/trustee	2,868,301
Balance, June 30, 2008,	
Audited Financial Statement	$ 6,664,515

See accompanying note to supplementary information.

RIALTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 [1]	2008	2007	2006
GENERAL FUND				
Revenues	$ 222,703,653	$ 247,047,395	$ 241,022,100	$ 219,298,481
Other sources and transfers in	-	744,907	-	-
Total Revenues and Other Sources	222,703,653	247,792,302	241,022,100	219,298,481
Expenditures	225,780,836	232,560,299	229,397,465	218,831,172
Other uses and transfers out	2,517,759	2,923,094	2,336,548	2,111,425
Total Expenditures and Other Uses	228,298,595	235,483,393	231,734,013	220,942,597
INCREASE (DECREASE) IN FUND BALANCE	$ (5,594,942)	$ 12,308,909	$ 9,288,087	$ (1,644,116)
ENDING FUND BALANCE	$ 35,328,909	$ 40,923,851	$ 28,614,942	$ 19,326,855
AVAILABLE RESERVES [2]	$ 18,992,658	$ 24,349,063	$ 15,140,202	$ 13,916,272
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	8.3%	10.6%	6.7%	6.4%
LONG-TERM OBLIGATIONS	N/A	$ 80,571,723	$ 77,100,018	$ 80,346,329
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	26,211	26,601	27,430	28,085

The General Fund balance has increased by $21,596,996 over the past two years. The fiscal year 2008-2009 budget projects a decrease of $5,594,942 (13.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have increased by $225,394 over the past two years.

Average daily attendance has decreased by 1,484 over the past two years. Additional decline of 390 ADA is anticipated during fiscal year 2008-2009.

[1] Budget 2009 is included for analytical purposes only and has not been subjected to audit.

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

[3] On-behalf payments of $5,082,034, $5,119,584, and $4,931,612 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006, respectively.

[4] Excludes Adult Education ADA.

See accompanying note to supplementary information.

EXCESS SICK LEAVE
JUNE 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Rialto Unified School District does not provide more than 12 sick leave days in a school year to administrators or other employees who are CalSTRS members.

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers' Retirement System (CalSTRS).

SUPPLEMENTARY INFORMATION - UNAUDITED

RIALTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 333,432	$ 266,275	$ 1,919,746
Receivables	45,769	489,632	22,836
Due from other funds	-	202,494	-
Total Assets	$ 379,201	$ 958,401	$ 1,942,582
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 18,517	$ 184,652	$ 270,038
Due to other funds	33,187	105,420	-
Total Liabilities	51,704	290,072	270,038
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	327,497	668,329	1,672,544
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	327,497	668,329	1,672,544
Total Liabilities and Fund Balances	$ 379,201	$ 958,401	$ 1,942,582

See accompanying note to supplementary information - unaudited.

Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
$ 235,675	$ 6,681,681	$ 1,398,904	$ 5,252,465	$ 34,414	$ 16,122,592
3,240	43,337	21,745	-	971	627,530
-	-	-	-	-	202,494
$ 238,915	$ 6,725,018	$ 1,420,649	$ 5,252,465	$ 35,385	$ 16,952,616
$ 12,052	$ 60,503	$ 670,504	$ -	$ -	$ 1,216,266
-	-	42,425	-	-	181,032
12,052	60,503	712,929	-	-	1,397,298
-	-	-	-	-	2,668,370
-	-	-	5,252,465	35,385	5,287,850
226,863	6,664,515	707,720	-	-	7,599,098
226,863	6,664,515	707,720	5,252,465	35,385	15,555,318
$ 238,915	$ 6,725,018	$ 1,420,649	$ 5,252,465	$ 35,385	$ 16,952,616

RIALTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	$ 592,981	$ -	$ -
Federal sources	-	6,438	-
Other State sources	-	3,105,530	1,120,292
Other local sources	36,711	78,754	148,823
Total Revenues	629,692	3,190,722	1,269,115
EXPENDITURES			
Current			
Instruction	292,494	2,182,907	-
Instruction-related activities:			
Supervision of instruction	150,651	81,065	-
School site administration	-	534,855	-
Pupil services:			
All other pupil services	3,960	45,042	-
General administration:			
All other general administration	22,438	185,558	-
Plant services	47,541	98,663	3,615,798
Facility acquisition and construction	85,711	10,549	-
Debt service			
Principal	64,475	197,014	-
Interest and other	4,033	-	-
Total Expenditures	671,303	3,335,653	3,615,798
Excess (Deficiency) of Revenues Over Expenditures	(41,611)	(144,931)	(2,346,683)
Other Financing Sources (Uses)			
Transfers in	25,540	202,494	1,255,874
Other sources	-	260,000	-
Transfers out	(5,021)	-	-
Net Financing Sources (Uses)	20,519	462,494	1,255,874
NET CHANGE IN FUND BALANCES	(21,092)	317,563	(1,090,809)
Fund Balance - Beginning	348,589	350,766	2,763,353
Fund Balance - Ending	$ 327,497	$ 668,329	$ 1,672,544

See accompanying note to supplementary information - unaudited.

Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 592,981
-	-	-	-	-	6,438
-	-	-	-	-	4,225,822
47,871	2,253,936	309,100	4,235,949	15,184	7,126,328
47,871	2,253,936	309,100	4,235,949	15,184	11,951,569
-	-	-	-	-	2,475,401
-	-	-	-	-	231,716
-	-	-	-	-	534,855
-	-	-	-	-	49,002
-	-	-	-	-	207,996
-	771,578	-	-	-	4,533,580
1,456,746	2,148,791	8,649,446	-	-	12,351,243
-	60,344	-	2,415,000	385,000	3,121,833
-	531,036	-	2,126,703	686,813	3,348,585
1,456,746	3,511,749	8,649,446	4,541,703	1,071,813	26,854,211
(1,408,875)	(1,257,813)	(8,340,346)	(305,754)	(1,056,629)	(14,902,642)
-	-	695,720	-	699,300	2,878,928
-	3,403,621	-	-	-	3,663,621
-	-	-	-	-	(5,021)
-	3,403,621	695,720	-	699,300	6,537,528
(1,408,875)	2,145,808	(7,644,626)	(305,754)	(357,329)	(8,365,114)
1,635,738	4,518,707	8,352,346	5,558,219	392,714	23,920,432
$ 226,863	$ 6,664,515	$ 707,720	$ 5,252,465	$ 35,385	$ 15,555,318

RIALTO UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

(Amounts in thousands, excluding Revenue Limit Per ADA)	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 19,368	7.9	$ 20,655	8.5	$ 20,704	9.4
Revenue limit revenue	161,544	65.4	159,249	66.1	150,390	68.6
Special education revenue	11,552	4.7	11,367	4.7	10,289	4.7
Lottery revenue	3,774	1.5	4,255	1.8	4,624	2.1
Other State revenue	46,731	18.9	41,134	17.1	25,406	11.6
Interest revenue	1,804	0.7	1,478	0.6	1,066	0.5
Other local revenue	2,274	0.9	2,884	1.2	6,819	3.1
Total Revenues	247,047	100.0	241,022	100.0	219,298	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	113,798	46.1	114,581	47.5	110,203	50.3
Classified salaries	34,319	13.9	34,130	14.2	31,830	14.5
Employee benefits	46,858	19.0	47,219	19.6	43,956	20.0
Total Salaries and Benefits	194,975	79.0	195,930	81.3	185,989	84.8
Books and supplies	11,731	4.7	10,422	4.3	9,757	4.4
Contracts and operating expenses	24,066	9.7	21,652	9.0	21,874	10.0
Capital outlay	1,924	0.8	1,575	0.7	1,050	0.5
Other outgo	(136)	(0.1)	(182)	(0.1)	161	0.1
Total Expenditures	232,560	94.1	229,397	95.2	218,831	99.8
EXCESS OF REVENUES OVER EXPENDITURES	14,487	5.9	11,625	4.8	467	0.2
OTHER FINANCING USES						
Net financing uses	(2,178)	(0.9)	(2,337)	(1.0)	(2,111)	(1.0)
INCREASE (DECREASE) IN FUND BALANCE	12,309	5.0	9,288	3.8	(1,644)	(0.8)
FUND BALANCE, BEGINNING	28,615		19,327		20,971	
FUND BALANCE, ENDING	$ 40,924		$ 28,615		$ 19,327	
ENDING FUND BALANCE TO TOTAL REVENUES		16.6		11.9		8.8
* *						
BASE REVENUE LIMIT PER ADA						
Regular	$ 5,788		$ 5,536		$ 5,180	
Adult	$ 2,645		$ 2,531		$ 2,389	

See accompanying note to supplementary information - unaudited.

RIALTO UNIFIED SCHOOL DISTRICT

CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

(Dollar amounts in thousands)	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	$ 10,455	75.8	$ 9,921	73.7	$ 8,705	71.6
State meal program	901	6.5	811	6.0	541	4.4
Food sales	2,391	17.3	2,616	19.5	2,827	23.2
Other	52	0.4	112	0.8	92	0.8
Total Revenues	13,799	100.0	13,460	100.0	12,165	100.0
EXPENDITURES						
Salaries and employee benefits	4,792	34.7	4,790	35.6	4,645	38.2
Food	6,310	45.7	5,947	44.2	5,411	44.5
Supplies	567	4.1	593	4.4	596	4.9
Other	1,303	9.4	989	7.3	1,013	8.3
Total Expenditures	12,972	93.9	12,319	91.5	11,665	95.9
EXCESS OF REVENUES OVER EXPENDITURES	827	6.1	1,141	8.5	500	4.1
OTHER FINANCING USES						
Net financing uses	(696)		(1,900)		(1,900)	
FUND BALANCE, BEGINNING	6,162		6,921		8,321	
FUND BALANCE, ENDING	$ 6,293		$ 6,162		$ 6,921	
ENDING FUND BALANCE TO TOTAL REVENUES		45.6		45.8		56.9

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2007-2008		2006-2007		2005-2006	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	781,632	19.0	881,834	22.0	1,025,921	26.7
Reduced price	461,766	11.3	499,111	12.5	454,581	11.8
Free	2,855,430	69.7	2,619,633	65.5	2,366,626	61.5
Total Lunches	4,098,828	100.0	4,000,578	100.0	3,847,128	100.0
BREAKFAST						
Paid	163,826	12.4	157,214	12.5	203,281	16.5
Reduced price	128,642	9.7	133,435	10.6	122,689	10.0
Free	1,028,214	77.9	965,461	76.9	902,285	73.5
Total Breakfast	1,320,682	100.0	1,256,110	100.0	1,228,255	100.0

See accompanying note to supplementary information - unaudited.

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

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

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

General Fund Selected Financial Information - Unaudited

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

Cafeteria Account Selected Financial Information - Unaudited

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2008, which collectively comprise Rialto Unified School District's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Rialto Unified School District in a separate letter dated December 8, 2008.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Rialto Unified School District
Rialto, California

Compliance

We have audited the compliance of Rialto Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Rialto Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Rialto Unified School District's management. Our responsibility is to express an opinion on Rialto Unified School District's compliance based on our audit.

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

In our opinion, Rialto Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

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Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Rialto Unified School District
Rialto, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No, See Below
Morgan-Hart Class Size Reduction	7	Not Applicable

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	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	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 Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Community Day School because the ADA was below the threshold required for testing.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RIALTO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.074A, 84.173, 84.173A	Special Education (IDEA) Cluster
10.553-10.556	Child Nutrition Cluster
93.778	Medi-Cal Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 889,799
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

After School Education and Safety Program – Indirect Costs

2008-1 40000

Criteria or Specific Requirement

According to Procedure 915 of the California School Account Manual (2008 Edition), districts are required to record costs associated with sub-agreements for services under object code 5100. The State allows the districts to charge up to $25,000 per sub-agreement to object code 5800 for the cost of administration, but all residual amounts beyond $25,000 must be recorded under the 5100 object code.

Condition

The District has entered into a sub-agreement for services with the City of Rialto to operate the District's After School Education and Safety Program. However, the District has recorded all of the costs associated with this agreement using the 5800 object code and did not exclude any costs associated with this sub-agreement from the indirect cost calculation.

Questioned Cost

A total of $18,624 in questioned program cost was identified. The total questioned cost was calculated as follows:

Unadjusted
Total cost pool prior to 5100 object code adjustment: $2,764,388
Unadjusted Indirect Cost Charged to Program: $36,631

Adjusted
Total costs associated with City of Rialto: $2,429,249 (charged to 5800 object)
Adjusted cost pool: $360,139 (only includes $25,000 of City of Rialto's costs)
Adjusted Indirect Cost @ 5 percent $18,007

Context

The condition identified was determined based on the testing of indirect costs charged to the program and understanding the method of program administration through inquiry with District's management personnel.

Effect

Provisions of the program did not identify specific financial or other consequences that the District would face as a result of the condition identified. However, it appears that the District has exceeded the amount of allowable indirect costs to be applied to the program in the amount of the questioned cost identified above.

Cause

The condition identified has materialized as a result of the District not identifying the City of Rialto's contract as a sub-agreement for services in accordance with Procedure 915 of the California School Accounting Manual.

Recommendation

The District should review Procedure 915 of the California School Accounting Manual to obtain an understanding of the revised indirect cost calculation method. Furthermore, the District should consult with their County to assist in identifying the difference between routine service transactions and sub-agreements for services. Generally, sub-agreements exist when a part or all of an instructional or support activity for which the District is responsible is conducted by a third party rather than by the District.

District Response

As of August 12, 2008, the District has reviewed Procedure 915 of the California School Accounting Manual and understands the classification for sub-agreements for services. The sub-agreement with the City of Rialto for the District's After School Education and Safety Program (ASES) has been coded to the sub-agreement account for 2008-09. The Director of Fiscal Services will be responsible for reviewing accounts that may qualify as sub-agreements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

There were no audit findings reported in the prior year's schedule of financial statement findings.

Governing Board
Rialto Unified School District
Rialto, California

In planning and performing our audit of the financial statements of Rialto Unified School District, for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 8, 2008, on the financial statements of Rialto Unified School District.

INTERNAL CONTROL

Capital Assets

Finding

Inventory tracking procedures over fixed assets and equipment do not include a periodic physical inventory of items maintained at sites. Currently, District procedures rely on sites to communicate any items that have been disposed of.

Recommendation

The District should consider implementing physical inventory of fixed assets and equipment on a periodic basis, such as annually. This would assist in determining if all items reported on the fixed asset listing exist. The District could rotate which sites must inventory their assets each year so as to reduce the workload involved with conducting the physical count and making adjustments to the fixed asset listing. Once the physical inventory is conducted, items reported should be compared to the fixed asset listing and any items identified as not existing at the site, but are currently included on the fixed asset listing, should be disposed of from the listing.

District Response

As of August 12, 2008, a periodic physical inventory will be implemented of fixed assets and equipment starting with the high schools. They will be inventoried by Information Technology at each site by June 30, 2008. The Director of the Teacher Resource Center (TRC) will be responsible for the completion of the inventory. In 2009-2010 and future years, the middle schools will be inventoried using the same process. Then nine elementary schools will be inventoried per year until complete. The Director of TRC will be responsible for disposal of all inventories and the completion of the process by June 30 of each year. The process will repeat and continue on the established schedule by the Director of Teacher Resources.

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Bank Reconciliations

Finding

The District's bank reconciliation process over the Property and Liability revolving account utilized to pay claims processed under the District's deductible limit does not include a reconciliation to the imprest amount of $25,000.

Recommendation

The District should provide additional training to personnel assigned the responsibility of maintaining the Property and Liability revolving account. The reconciliation should be performed on a monthly basis to ensure the account has not been over or under reimbursed for the activity incurred during the month. In addition, the District should consider requesting that the bank provide month-end bank statements to better correspond the reconciliation process with year-end reporting periods (June 30).

District Response

As of October 30, 2008, the property and liability imprest account will be reconciled monthly by the benefits/insurance technician who does not reconcile the bank statements. Any funds in excess of $30,000 will be returned to the General Fund quarterly. Bank statements will reflect the end of the month balance. The Director of Risk Management is responsible for reviewing the account.

ASSOCIATED STUDENT BODY

Cash Receipting

Carter High School

Finding

During our review of the receipting process, it was noted that receipts are not being issued nor are cash logs prepared by teachers at the time monies are being collected from students and/or parents/guardians. No other control procedures are in place to ensure that cash collected by teachers are deposited to the ASB office intact and on a timely basis.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipt book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes.

District Response

As of February 20, 2008, the ASB bookkeeper will present an ASB orientation meeting at the beginning of the school year. An ASB master calendar will be established and maintained by the Activities Director. The ASB bookkeeper will set up appointments on that calendar for collection of fundraiser monies. Receipt books will be logged out and returned at the conclusion of the event noting the range of receipt numbers issued and used. The ASB bookkeeper will maintain a revenue potential budget review log for cash and itemized inventory. The Principal will be responsible for reviewing that the ASB bookkeeper has followed up on all required paperwork.

Cash Disbursements

Carter High School

Findings

During our audit of the ASB's internal controls over disbursements, we noted the following issues:

1. Thirteen of the fifteen transactions reviewed had an invoice date prior to the approval date, noting the purchase was made prior to approval.
2. The site procedure requires only two approval signatures for cash disbursements.

Recommendations

1. All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items.
2. The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, *Accounting and Procedures for Student Organizations*. The manual explains that three signatures, these including a District representative, a student representative and an advisor, are required pursuant to California Educational Code Section 48933(5)(b) on all disbursements from a student body account.

District Response

As of February 20, 2008, the ASB Student Advisor will approve all expenditures prior to the purchase and verify funding is available. The purchase order will be approved by an ASB student, advisor, and an administrator with an additional line added to comply with Education Code Section 48933(5)(b) for three signatures. In addition, all purchases will be shipped to the Carter High School, c/o ASB Director for verification of all shipments prior to release to club advisors. The Principal will be responsible for reviewing the ASB Student Advisor purchasing practices.

Revenue Potential

Carter High School

Finding

Two out of two revenue potentials tested were incomplete. One of the revenue potentials was related to a candle sale and the estimated profit was not calculated. The second revenue potential was for catalog sales, and although a revenue potential may not provide the best means of tracking the fundraiser, an alternate method of tracking the receipts and calculating the District's share of revenue was not being performed.

Recommendation

All revenue potentials must be completely filled out at the end of each fundraiser. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

District Response

As of February 20, 2008, the ASB Bookkeeper will distribute and explain a fundraising packet that will include a revenue potential form. The ASB Bookkeeper is responsible for verifying the revenue potential form is complete and submitted, both prior to the submission and at the conclusion of the fundraiser. The Principal will be responsible for collecting all incomplete revenue potential forms from staff members.

Ticket Sales Recap

Carter High School

Finding

A ticket sales recap form was used to document cash collections for multiple ticket sellers. In addition, a ticket roll issued for an event is divided into small sections and given to multiple ticket sellers to sell. As a result, it becomes increasingly difficult for the site to track ticket sales of individual ticket sellers. Thus, if a large loss were to occur, it would be difficult to identify the source of the loss to assist in preventing such losses from occurring in the future.

Recommendation

A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket and the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. A form should be used to document the cash collections of each seller to enable the site to identify the source of potential cash collection problems. In addition, any portion of a ticket roll unused or lost from the roll should be documented on the ticket sales recap form to ensure all tickets issued are accounted for.

District Response

As of March 28, 2008, the ASB Bookkeeper will issue only one roll of tickets per ticket seller. Any pre-sale tickets will be approved prior to printing and tickets numbered sequentially with a detachable stub. Receipts and stubs will be returned for verification purposes. The ASB Bookkeeper will issue club advisors a form called a "charge card" for missing money or returned checks for follow-up later. The Principal will be responsible for following up with staff.

Segregation of Duties

Frisbie Middle School

Finding

The ASB Bookkeeper is a signer on the checks for ASB expenditures.

Recommendation

The ASB bookkeeper should not be a signer on the checks for ASB expenditures since they are already responsible for deposits, preparing purchase requests, reconciling the bank account and maintaining the general ledger. In order to provide greater segregation of duties, the site should assign someone other than the ASB Bookkeeper to be a signer on the checks.

District Response

As of March 28, 2008, the ASB Bookkeeper was removed as a signer on the checks for ASB expenditures. In order to comply with the findings, the checks will now be signed by the school secretary and the Principal.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008