



**ONTARIO-MONTCLAIR
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

ONTARIO-MONTCLAIR SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Ontario-Montclair School District
Ontario, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ontario-Montclair School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ontario-Montclair School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, other postemployment benefit, net pension liability, and District contributions information on pages 67 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario-Montclair School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2015, on our consideration of the Ontario-Montclair School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ontario-Montclair School District's internal control over financial reporting and compliance.

Vavrinak, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

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This section of Ontario-Montclair School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from the fiscal year ending June 30, 2014. 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 Ontario-Montclair 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. These statements present governmental activities. These statements include all assets of the District, 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.

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

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

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

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

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

The Primary unit of the government is the Ontario-Montclair School District.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 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 Position* and the *Statement of Activities*, we report the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade eight 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 certificates of participation and general obligation bonds, finance these activities.

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 Department of Education.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$80,140,950 for the fiscal year ended June 30, 2015. Of this amount, \$(104,806,259) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	2014 as restated
Assets		
Current and other assets	\$ 138,605,535	\$ 142,688,901
Capital assets	212,061,755	218,584,300
Total Assets	<u>350,667,290</u>	<u>361,273,201</u>
Deferred Outflows of Resources	<u>15,952,445</u>	<u>12,034,118</u>
Liabilities		
Current liabilities	21,928,852	21,900,088
Long-term obligations	68,409,197	69,587,512
Aggregate net pension liability	154,736,346	193,846,116
Total Liabilities	<u>245,074,395</u>	<u>285,333,716</u>
Deferred Inflows of Resources	<u>41,404,390</u>	<u>-</u>
Net Position		
Net investment in capital assets	159,226,434	164,873,070
Restricted	25,720,775	27,982,994
Unrestricted	(104,806,259)	(104,882,461)
Total Net Position	<u>\$ 80,140,950</u>	<u>\$ 87,973,603</u>

The \$(104,806,259) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Changes in Net Position

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,590,934	\$ 556,219
Operating grants and contributions	61,684,480	61,997,059
Capital grants and contributions	28,847	9,974
General revenues:		
Federal and State aid not restricted	161,632,398	135,007,731
Property taxes	18,550,831	20,563,408
Other general revenues	3,631,689	6,405,568
Total Revenues	<u>247,119,179</u>	<u>224,539,959</u>
Expenses		
Instruction-related	190,528,868	172,092,329
Student support services	29,251,326	27,415,691
Administration	12,307,127	10,639,026
Plant services	20,641,244	17,296,129
Other	3,903,234	3,348,745
Total Expenses	<u>256,631,799</u>	<u>230,791,920</u>
Change in Net Position	<u>\$ (9,512,620)</u>	<u>\$ (6,251,961)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$256,631,799. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18,550,831 because the cost was paid by those who benefited from the programs (\$1,590,934) or by other governments and organizations who subsidized certain programs with grants and contributions (\$61,713,327). We paid for the remaining "public benefit" portion of our governmental activities with \$165,264,087 in Federal and State funds and with other revenues, like interest and general entitlements.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction and other related, school administration, pupil transportation, food services, other student support services, administration, plant services, and other. 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

	2015		2014	
	Total Cost of Services	Net Cost/ (Revenues) of Services	Total Cost of Services	Net Cost/ (Revenues) of Services
Instruction and other related	\$ 172,554,291	\$ 129,578,461	\$ 155,052,815	\$ 114,601,137
School administration	17,974,577	20,144,857	17,039,514	14,446,784
Pupil transportation	3,225,398	3,121,326	3,025,057	2,926,538
Food services	13,705,479	1,994,427	13,815,251	2,873,416
Other student support services	12,320,449	7,155,622	10,575,383	5,694,031
Administration	12,307,127	10,082,785	10,639,026	8,440,982
Plant services	20,641,244	19,272,451	17,296,129	16,577,768
Other	3,903,234	1,977,609	3,348,745	2,668,012
Total	\$ 256,631,799	\$ 193,327,538	\$ 230,791,920	\$ 168,228,668

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$103,872,044, which is a decrease of \$6,532,921 from prior year.

The primary reasons for the decrease are:

Our General Fund is our principal operating fund. The fund balance in the General Fund decreased to \$72,173,589 from \$78,929,909. This change is due to the combination of a one-time expenditure for classroom technology and professional development and an increase to employees' salaries and benefits in exchange for additional work hours and to adjust for cost of living. Overall, our non-major governmental funds increased in aggregate to \$31,698,455 from \$31,475,056.

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 revision to the Budget was posted as of June 30, 2015. (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 67.)

Revenue and expenditure revisions were made to the 2014-2015 Budget due to changes in State funding, changes in student enrollment and attendance, changes to Federal grant awards, and increases and savings in expenditures that were confirmed after the Budget was adopted.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had a carrying value of \$212,061,755 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of \$6,522,545, or three percent, from last year.

Table 4

	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 7,922,831	\$ 15,322,084
Buildings and improvements	200,759,806	199,696,552
Equipment	3,379,118	3,565,664
Total	\$ 212,061,755	\$ 218,584,300

Several capital projects are planned for the 2015-2016 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$68,409,197 in long-term obligations outstanding versus \$69,587,512 last year, resulting in an increase of \$1,178,315 from last year. Those long-term obligations consisted of:

Table 5

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 53,625,065	\$ 54,605,227
Compensated absences	2,034,861	1,917,422
Other postemployment benefits	11,491,961	9,979,943
Claims liability	992,611	1,826,887
SELF workers' compensation assessment	264,699	290,214
Supplemental early retirement plan	-	967,819
Total	\$ 68,409,197	\$ 69,587,512

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year end, the District had a pension liability of \$154,736,346 as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the District Board and management used the following criteria and assumptions:

A. ADA Assumptions

1. Regular ADA (excluding County Office of Education ADA) is estimated to decline in fiscal year 2015-2016:
 - a. 2015-2016: 21,535 Estimated P-2 (-278 from prior year)
 - b. 2014-2015: 21,813 Actual P-2 (-332 from prior year)
 - c. 2013-2014: 22,145 Actual P-2 (+32 from prior year)
 - d. 2012-2013: 22,113 Actual P-2 (+116 from prior year)

B. Revenue Assumptions

1. Local Control Funding Formula (LCFF) has been budgeted at \$196.9 million:
 - a. Cost of Living Adjustment (COLA) of 1.02 percent.
 - b. GAP funding rate of 53.08 percent.
 - c. An 88.25 percent of unduplicated pupils, the count of pupils who are English Learner students, Free or Reduced Price Meal students, or Foster Youth.
 - d. Local property taxes of \$10,623,729.
2. Other State and Federal Revenue assumptions include:
 - a. One-time discretionary State funding of \$13.0 million for the reimbursement of unfunded mandates allocated for the further implementation of common core.

C. Expenditure Assumptions

1. Step and column salary increases have been provided for all applicable contract positions. In addition, due to recent pension reform, the District has increased its contribution to CalSTRS and CalPERS.
2. Based on the State Adopted 2015-2016 Budget and the incorporation of the estimated effects of declining enrollment, subsequent reductions were made to General Fund expenditures including, but not limited to, contract salary and benefits and formula driven allocations.
3. All Federal, State, and Local categorical grant programs are budgeted with revenues equaling expenditures. Entitlement programs are budgeted for expenditures equaling the sum of current year revenues and restricted fund balances.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

D. Fund Balance

1. The estimated ending fund balance includes a Reserve for Economic Uncertainties of \$6.7 million. This amount is based on the District's 2014-2015 Unaudited Actuals Report.
2. The total General Fund Ending Fund Balance projected at the 2014-2015 Unaudited Actuals Report is estimated at \$60.8 million. This includes Nonspendable balances of \$315,705, Assigned balances of \$48 million, Restricted Balances of \$5.8 million, and an Economic Uncertainties balance of \$6.7 million.

E. Multi-Year Projection

In order to obtain a positive certification on State required Interim Financial Reports, the District must prepare and the District Governing Board of Trustees approve, a Multi-Year Projection that includes a solvent financial picture for the current fiscal year (2015-2016) and two subsequent fiscal years (2016-2017 and 2017-2018).

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 additional financial information, contact the Chief Business Official, Mr. Phil Hillman, at Ontario-Montclair School District, 950 West D Street, Ontario, California 91762 or email at Phil.Hillman@omsd.k12.ca.us.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 129,433,150
Receivables	8,694,279
Prepaid expenses	36,938
Stores inventories	441,168
Other current assets	
Capital assets	
Land and construction in progress	7,922,831
Other capital assets	321,989,482
Less accumulated depreciation	<u>(117,850,558)</u>
Total Capital Assets	<u>212,061,755</u>
Total Assets	<u>350,667,290</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	789,744
Net change in proportionate share of net pension liability	1,167,523
Current year pension contribution	<u>13,995,178</u>
Total Deferred Outflows of Resources	<u>15,952,445</u>
LIABILITIES	
Accounts payable	20,812,376
Interest payable	941,162
Unearned revenue	175,314
Long-term obligations	
Current portion of long-term obligations other than pensions	1,843,861
Noncurrent portion of long-term obligations other than pensions	<u>66,565,336</u>
Total Long-Term Obligations	<u>68,409,197</u>
Aggregate net pension liability	<u>154,736,346</u>
Total Liabilities	<u>245,074,395</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	<u>41,404,390</u>
NET POSITION	
Net investment in capital assets	159,226,434
Restricted for:	
Debt service	3,436,219
Capital projects	8,515,094
Educational programs	5,756,739
Other activities	8,012,723
Unrestricted	<u>(104,806,259)</u>
Total Net Position	<u>\$ 80,140,950</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 166,393,640	\$ 31,007	\$ 36,755,325	\$ 28,847	\$ (129,578,461)
Instruction-related activities:					
Supervision of instruction	5,343,437	12,563	1,769,366	-	(3,561,508)
Instructional library, media, and technology	817,214	-	134,220	-	(682,994)
School site administration	17,974,577	4,615	2,069,607	-	(15,900,355)
Pupil services:					
Home-to-school transportation	3,225,398	-	104,072	-	(3,121,326)
Food services	13,705,479	178,688	11,532,364	-	(1,994,427)
All other pupil services	12,320,449	111,489	5,053,338	-	(7,155,622)
Administration:					
Data processing	4,262,993	-	1,562	-	(4,261,431)
All other administration	8,044,134	14,053	2,208,727	-	(5,821,354)
Plant services	20,641,244	300,772	1,068,021	-	(19,272,451)
Ancillary services	622,513	-	20,080	-	(602,433)
Enterprise services	5,138	-	-	-	(5,138)
Interest on long-term obligations	2,845,416	-	-	-	(2,845,416)
Other outgo	430,167	937,747	967,798	-	1,475,378
Total Governmental Activities	\$ 256,631,799	\$ 1,590,934	\$ 61,684,480	\$ 28,847	(193,327,538)
General Revenues and Subventions:					
Property taxes, levied for general purposes					14,816,077
Property taxes, levied for debt service					3,023,964
Taxes levied for other specific purposes					710,790
Federal and State aid not restricted to specific purposes					161,632,398
Interest and investment earnings					330,758
Miscellaneous					3,300,931
Total General Revenues and Subventions					183,814,918
Change in Net Position					(9,512,620)
Net Position - Beginning, as Restated					89,653,570
Net Position - Ending					\$ 80,140,950

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 86,573,002	\$ 32,758,029	\$ 119,331,031
Receivables	7,454,170	1,221,108	8,675,278
Due from other funds	1,720,947	521,695	2,242,642
Prepaid expenditures	36,938	-	36,938
Stores inventories	203,767	237,401	441,168
Total Assets	<u>\$ 95,988,824</u>	<u>\$ 34,738,233</u>	<u>\$ 130,727,057</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,514,237	\$ 1,258,167	\$ 20,772,404
Due to other funds	4,191,920	1,715,375	5,907,295
Unearned revenue	109,078	66,236	175,314
Total Liabilities	<u>23,815,235</u>	<u>3,039,778</u>	<u>26,855,013</u>
Fund Balances:			
Nonspendable	315,705	273,951	589,656
Restricted	5,755,961	20,905,976	26,661,937
Committed	-	20,240	20,240
Assigned	59,354,616	10,498,288	69,852,904
Unassigned	6,747,307	-	6,747,307
Total Fund Balances	<u>72,173,589</u>	<u>31,698,455</u>	<u>103,872,044</u>
Total Liabilities and Fund Balances	<u>\$ 95,988,824</u>	<u>\$ 34,738,233</u>	<u>\$ 130,727,057</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total Fund Balance - Governmental Funds	\$ 103,872,044
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 329,912,313
Accumulated depreciation is:	<u>(117,850,558)</u>
Net Capital Assets	212,061,755
Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but are not recognized on the accrual basis.	
	789,744
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.	
	(941,162)
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	
	13,995,178
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.	
	12,488,491
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	
	1,167,523
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	
	(41,404,390)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	
	(154,736,346)
Long-term obligations, associated with governmental activities are not reported within the governmental funds.	
Long-term obligations at year-end consist of:	
General obligation bond	(49,544,904)
Premium on general obligation bonds	(954,390)
Compensated absences (vacations)	(2,034,861)
Other postemployment benefits (OPEB)	(11,491,961)
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	
	<u>(3,125,771)</u>
Total Long-Term Obligations	(67,151,887)
Total Net Position - Governmental Activities	<u>\$ 80,140,950</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local control funding formula	\$ 171,354,387	\$ -	\$ 171,354,387
Federal sources	14,769,153	12,703,413	27,472,566
Other state sources	24,104,893	2,956,999	27,061,892
Other local sources	14,705,692	5,804,169	20,509,861
Total Revenues	<u>224,934,125</u>	<u>21,464,581</u>	<u>246,398,706</u>
EXPENDITURES			
Current			
Instruction	157,312,488	2,005,467	159,317,955
Instruction-related activities:			
Supervision of instruction	5,265,070	103,220	5,368,290
Instructional library, media, and technology	830,447	-	830,447
School site administration	17,801,874	178,784	17,980,658
Pupil services:			
Home-to-school transportation	3,317,286	-	3,317,286
Food services	18,105	13,068,601	13,086,706
All other pupil services	12,359,050	5,000	12,364,050
Administration:			
Data processing	4,302,046	-	4,302,046
All other administration	7,444,154	674,522	8,118,676
Plant services	18,394,941	2,872,126	21,267,067
Facility acquisition and construction	279,027	846,527	1,125,554
Ancillary services	620,826	-	620,826
Other outgo	430,167	-	430,167
Enterprise services	10	-	10
Debt service			
Principal	-	1,500,000	1,500,000
Interest and other	-	2,284,889	2,284,889
Total Expenditures	<u>228,375,491</u>	<u>23,539,136</u>	<u>251,914,627</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,441,366)</u>	<u>(2,074,555)</u>	<u>(5,515,921)</u>
Other Financing Sources (Uses)			
Transfers in	71,242	2,506,311	2,577,553
Transfers out	(3,386,196)	(208,357)	(3,594,553)
Net Financing Sources (Uses)	<u>(3,314,954)</u>	<u>2,297,954</u>	<u>(1,017,000)</u>
NET CHANGE IN FUND BALANCES	<u>(6,756,320)</u>	<u>223,399</u>	<u>(6,532,921)</u>
Fund Balances - Beginning	<u>78,929,909</u>	<u>31,475,056</u>	<u>110,404,965</u>
Fund Balances - Ending	<u>\$ 72,173,589</u>	<u>\$ 31,698,455</u>	<u>\$ 103,872,044</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ (6,532,921)**

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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation	\$ (8,150,827)	
Capital outlays	<u>1,678,284</u>	
Net Expense Adjustment		(6,472,543)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (50,002)

Contributions for other postemployment benefits (OPEB) are recorded as an expense in the governmental funds when paid. However, the difference between the annual OPEB cost 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 OPEB cost. (1,512,018)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid totaled \$967,819. Vacation earned was more than the amounts paid by \$117,439. 850,380

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 2,971

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2015

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	\$ 1,500,000
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	\$ 63,626
Amortization of deferred amount on refunding	<u>(59,231)</u>
Combined Adjustment	4,395
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 net result of two factors. First, accrued interest on the general obligation bonds decreased by \$18,542, and second, \$583,464 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(564,922)
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 net revenue of the Internal Service Fund is reported with governmental activities.	<u>3,262,040</u>
Change in Net Position of Governmental Activities	<u>\$ (9,512,620)</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 10,102,119
Receivables	19,001
Due from other funds	3,670,282
Total Current Assets	<u>13,791,402</u>
LIABILITIES	
Current Liabilities	
Accounts payable	39,972
Due to other funds	5,629
Current portion of claims liability	498,861
Total Current Liabilities	<u>544,462</u>
Noncurrent Liabilities	
Noncurrent portion of claims liability and SELF assessment	<u>758,449</u>
NET POSITION	
Restricted	<u>\$ 12,488,491</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 5,358,343
OPERATING EXPENSES	
Payroll costs	80,861
Supplies and materials	9,285
Other operating cost	3,061,020
Total Operating Expenses	<u>3,151,166</u>
Operating Income	<u>2,207,177</u>
NON-OPERATING REVENUES	
Interest income	37,863
Transfers in	1,017,000
Total Non-operating Revenues	<u>1,054,863</u>
Change in Net Position	3,262,040
Total Net Position - Beginning	9,226,451
Total Net Position - Ending	<u>\$ 12,488,491</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 4,202,105
Cash payments to employees for services	(80,861)
Other operating cash payments	(9,285)
Cash payments for claims	(3,953,018)
Net Cash Provided by Operating Activities	<u>158,941</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	<u>1,017,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>36,928</u>
Net Increase in Cash and Cash Equivalents	1,212,869
Cash and Cash Equivalents - Beginning	8,889,250
Cash and Cash Equivalents - Ending	<u>\$ 10,102,119</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,207,177
Changes in assets and liabilities:	
Receivables	11,934
Due from other funds	(1,168,016)
Accounts payable	(32,207)
Due to other funds	(156)
Claims liability and SELF assessment	(859,791)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 158,941</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 349,061
Stores inventories	39,209
Total Assets	<u><u>\$ 388,270</u></u>
 LIABILITIES	
Accounts payable	\$ 1,360
Due to student groups	386,910
Total Liabilities	<u><u>\$ 388,270</u></u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Ontario-Montclair School District (the District) was organized in 1894 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-8 as mandated by the State. The District operates 26 elementary schools, six middle schools, a community day school, an independent study program, and a child care 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 Ontario-Montclair School District, this includes general operations, food service, and student related activities of the District.

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 the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of \$11,366,618.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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 used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other capital assets (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).

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 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general 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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates Workers' Compensation, Property and Liability, and Other Postemployment Benefit Programs that are accounted for in the Internal Service Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's Agency Fund accounts for associated student body (ASB) activities.

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 (both direct and indirect) and program revenues for each governmental program. 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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. The Internal Service Fund is presented in a single column on the face of the proprietary fund statements.

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 balances report 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 position. The statement of changes in fund net position 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2015, 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.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental 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 \$15,000. 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 position. 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 is 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 and improvements, 20 to 50 years; vehicles, eight to 15 years; equipment, two 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 activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt 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 or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds, current year pension contributions, and for the unamortized amount on net change in proportionate share of net pension liability.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$25,720,775 of net position restricted by 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 charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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 columns of the Statement of Activities.

Estimates

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

Budgetary Data

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

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$180,981,006. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 129,433,150
Fiduciary funds	349,061
Total Deposits and Investments	<u>\$ 129,782,211</u>

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 559,061
Cash in revolving	111,550
Investments	129,111,600
Total Deposits and Investments	<u>\$ 129,782,211</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
San Bernardino County Pool	<u>\$ 129,247,239</u>	<u>344</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool were rated by Fitch Ratings as AAA/V1.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's cash in banks were either insured or collateralized by securities held by the pledging financial institution, but not in the name of the District.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 3 – RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government				
Categorical aid	\$ 2,063,623	\$ 1,097,970	\$ -	\$ 3,161,593
State Government				
Categorical aid	1,355,573	95,896	-	1,451,469
Special education	1,814,605	-	-	1,814,605
Lottery	1,923,942	-	-	1,923,942
Local Government				
Interest	74,642	23,255	8,678	106,575
Other Local Sources				
Other	221,785	3,987	10,323	236,095
Total	<u>\$ 7,454,170</u>	<u>\$ 1,221,108</u>	<u>\$ 19,001</u>	<u>\$ 8,694,279</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 6,160,798	\$ -	\$ -	\$ 6,160,798
Construction in progress	9,161,286	1,266,618	8,665,871	1,762,033
Total Capital Assets Not Being Depreciated	<u>15,322,084</u>	<u>1,266,618</u>	<u>8,665,871</u>	<u>7,922,831</u>
Capital Assets Being Depreciated				
Buildings and improvements	295,482,284	8,529,432	132,067	303,879,649
Furniture and equipment	17,675,556	548,105	113,828	18,109,833
Total Capital Assets Being Depreciated	<u>313,157,840</u>	<u>9,077,537</u>	<u>245,895</u>	<u>321,989,482</u>
Total Capital Assets	<u>328,479,924</u>	<u>10,344,155</u>	<u>8,911,766</u>	<u>329,912,313</u>
Less Accumulated Depreciation				
Buildings and improvements	95,785,732	7,416,176	82,065	103,119,843
Furniture and equipment	14,109,892	734,651	113,828	14,730,715
Total Accumulated Depreciation	<u>109,895,624</u>	<u>8,150,827</u>	<u>195,893</u>	<u>117,850,558</u>
Governmental Activities Capital Assets, Net	<u>\$ 218,584,300</u>	<u>\$ 2,193,328</u>	<u>\$ 8,715,873</u>	<u>\$ 212,061,755</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 7,402,581
Food service	748,246
Total Depreciation	<u>\$ 8,150,827</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds and internal service funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 1,715,318	\$ 5,629	\$ 1,720,947
Non-Major Governmental Funds	521,638	57	-	521,695
Internal Service Fund	3,670,282	-	-	3,670,282
Total	\$ 4,191,920	\$ 1,715,375	\$ 5,629	\$ 5,912,924

A balance of \$2,734,898 is due to the Internal Service Fund from the General Fund for contribution for other postemployment benefits.

A balance of 935,384 is due to the Internal Service Fund from the General Fund for contribution for workers' compensation insurance.

A balance of \$215,647 is due to the Child Development Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of \$5,991 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of \$877,854 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of \$412,590 is due to the General Fund from the Child Development Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of \$840 is due to the General Fund from the Deferred Maintenance Non-Major Governmental Fund for the reimbursement of deferred maintenance projects.

A balance of \$424,034 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for the reimbursement of reimbursement of capital outlay projects.

A balance of \$300,000 is due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the General Fund for capital project reserve.

A balance of \$57 is due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the Building Non-Major Governmental Fund for reimbursement of bond projects.

A balance of \$5,629 is due to the General Fund from the Internal Service Fund for the reimbursement of operating costs.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfers From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 71,242	\$ 71,242
Non-Major Governmental Funds	2,369,196	137,115	2,506,311
Internal Service Fund	1,017,000	-	1,017,000
Total	<u>\$ 3,386,196</u>	<u>\$ 208,357</u>	<u>\$ 3,594,553</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for capital project reserves and deferred maintenance projects.	\$ 2,153,591
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating costs.	215,605
The General Fund transferred to the Internal Service Fund for property and liability claims.	1,017,000
The Deferred Maintenance Non-Major Governmental Fund transferred to the General Fund reimbursement of deferred maintenance projects.	71,242
The Deferred Maintenance Non-Major Governmental Fund transferred to the Cafeteria Non-Major Governmental Fund for deferred maintenance projects.	137,115
	<u>\$ 3,594,553</u>

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 12,148,557	\$ 162,156	\$ 545	\$ 12,311,258	\$ -
State principal apportionment	2,623,386	-	-	2,623,386	-
Supplies	2,121,185	104,368	-	2,225,553	-
Services	2,132,429	777,493	39,427	2,949,349	1,360
Capital outlay	203,334	211,740	-	415,074	-
Other vendor payables	285,346	2,410	-	287,756	-
Total	<u>\$ 19,514,237</u>	<u>\$ 1,258,167</u>	<u>\$ 39,972</u>	<u>\$ 20,812,376</u>	<u>\$ 1,360</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 86,665	\$ 1,570	\$ 88,235
State categorical aid	22,413	-	22,413
Other local	-	64,666	64,666
Total	<u>\$ 109,078</u>	<u>\$ 66,236</u>	<u>\$ 175,314</u>

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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds	\$ 53,587,211	\$ 583,464	\$ 1,500,000	\$ 52,670,675	\$ 1,345,000
Unamortized premium	1,018,016	-	63,626	954,390	-
Compensated absences	1,917,422	117,439	-	2,034,861	-
Other postemployment benefits	9,979,943	3,022,975	1,510,957	11,491,961	-
Claims liability	1,826,887	-	834,276	992,611	498,861
SELF workers' compensation assessment	290,214	-	25,515	264,699	-
Supplemental Early Retirement Plan	967,819	-	967,819	-	-
	<u>\$ 69,587,512</u>	<u>\$ 3,723,878</u>	<u>\$ 4,902,193</u>	<u>\$ 68,409,197</u>	<u>\$ 1,843,861</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences and other postemployment benefits are paid by the fund for which the employee worked. Claims liability and the SELF workers' compensation assessment are paid by the Internal Service Fund. The General Fund makes payments for the supplemental early retirement plan (SERP).

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted Interest	Redeemed	Bonds Outstanding End of Year
Series B	2006	8/1/2031	4.50-5.00%	\$ 9,999,646	\$ 1,887,355	\$ 111,166	\$ 245,000	\$ 1,753,521
Series C	2008	8/1/2033	4.50-8.90%	7,999,994	7,530,485	120,499	205,000	7,445,984
Series D	2010	8/1/2030	2.00-6.56%	4,100,263	5,129,371	351,799	225,000	5,256,170
Series D-1	2010	8/1/2034	6.13-6.68%	19,205,000	19,205,000	-	-	19,205,000
2013 Refunding	2013	8/1/2027	3.25%	19,835,000	19,835,000	-	825,000	19,010,000
					<u>\$ 53,587,211</u>	<u>\$ 583,464</u>	<u>\$ 1,500,000</u>	<u>\$ 52,670,675</u>

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2035 as follows:

Fiscal Year	Including Accreted Interest to Date	Interest to Maturity	Accreted Interest	Total
2016	\$ 1,345,000	\$ 2,239,733	\$ -	\$ 3,584,733
2017	1,496,283	2,201,189	13,717	3,711,189
2018	1,655,952	2,160,233	34,048	3,850,233
2019	1,814,052	2,114,464	60,948	3,989,464
2020	1,975,052	2,063,639	94,948	4,133,639
2021-2025	14,555,907	8,829,142	514,093	23,899,142
2026-2030	12,974,957	6,210,463	9,865,043	29,050,463
2031-2035	16,853,472	3,539,188	3,746,529	24,139,189
Total	<u>\$ 52,670,675</u>	<u>\$ 29,358,051</u>	<u>\$ 14,329,326</u>	<u>\$ 96,358,052</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$2,034,861.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$3,046,762, and contributions made by the District during the year were \$1,510,957. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$498,997 and (\$522,784), respectively, which resulted in an increase to the net OPEB obligation of \$1,512,018. As of June 30, 2015, the net OPEB obligation was \$11,491,961. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Claims Liability

The District is self-insured against claims for workers' compensation injuries. Under the program, the District provides coverage up to \$250,000 for each workers' compensation claim. The liability as of June 30, 2015, totaling \$992,611, represents the claims obligation as established by the actuarial study performed by a third party.

Workers' Compensation Assessment

The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2015, the District's outstanding obligation for their pro-rata share of equity assessed was \$294,699.

Supplemental Early Retirement Plan (SERP)

The District adopted a Supplemental Early Retirement Plan (SERP), whereby certain eligible employees are provided an annuity through Public Agency Retirement Services (PARS) to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). As of June 30, 2015, the liability was paid in full.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 75,000	\$ 36,550	\$ 111,550
Stores inventories	203,767	237,401	441,168
Prepaid expenditures	36,938	-	36,938
Total Nonspendable	<u>315,705</u>	<u>273,951</u>	<u>589,656</u>
Restricted			
Legally restricted programs	5,755,961	8,013,501	13,769,462
Capital projects	-	8,515,094	8,515,094
Debt services	-	4,377,381	4,377,381
Total Restricted	<u>5,755,961</u>	<u>20,905,976</u>	<u>26,661,937</u>
Committed			
Deferred maintenance program	-	20,240	20,240
Assigned			
Capital projects	-	10,498,288	10,498,288
Board policy reserve	31,487,435	-	31,487,435
Postemployment benefits	7,889,132	-	7,889,132
Deferred maintenance	3,477,486	-	3,477,486
Targeted program carryover	1,663,062	-	1,663,062
Technology replacement carryover	1,347,172	-	1,347,172
Site donation carryover	209,935	-	209,935
Site discretionary carryover	2,596,570	-	2,596,570
Additional CSR replacement	790,000	-	790,000
Technology replacement	2,100,000	-	2,100,000
Unfunded pension obligation	5,546,361	-	5,546,361
Budget stabilization account	2,247,463	-	2,247,463
Total Assigned	<u>59,354,616</u>	<u>10,498,288</u>	<u>69,852,904</u>
Unassigned			
Reserve for economic uncertainties	6,747,307	-	6,747,307
Total	<u>\$ 72,173,589</u>	<u>\$ 31,698,455</u>	<u>\$ 103,872,044</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Plan Description

The District offers medical, dental, vision and life insurance benefits to its employees, retirees and their dependents. With limited exceptions, the District only pays the cost of single party medical benefits for retirees, with any additional benefits paid at the retiree's option. Upon retirement and after reaching the age 55 (or earlier if receiving a disability pension under CalSTRS or CalPERS) and completing at least 10 years of service, the District will contribute on the retiree's behalf an amount equal to the retiree-only premium under the medical plan option selected by the employee. For classified employees the District contribution is limited to the Kaiser HMO option 1 retiree premium. Benefits will continue for those retirees until they reach age 65. Membership of the Plan consists of 259 retirees currently receiving benefits, 38 terminated Plan members entitled to but not yet receiving benefits, and 2,043 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CTA), 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 2014-2015, the District contributed \$1,510,957 to the Plan, all of which was used for current premiums (approximately 89 percent of total premiums). Plan members receiving benefits contributed \$178,101, or approximately 11 percent, of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 3,046,762
Interest on net OPEB obligation	498,997
Adjustment to annual required contribution	(522,784)
Annual OPEB cost (expense)	<u>3,022,975</u>
Contributions made	<u>(1,510,957)</u>
Increase in net OPEB obligation	1,512,018
Net OPEB obligation, beginning of year	9,979,943
Net OPEB obligation, end of year	<u><u>\$ 11,491,961</u></u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,920,724	\$ 1,694,366	58%	\$ 8,374,392
2014	2,927,730	1,322,179	45%	9,979,943
2015	3,022,975	1,510,957	50%	11,491,961

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected 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)
November 1, 2014	\$ 8,241,488	\$ 27,993,743	\$ 19,752,255	29%	\$ 147,474,155	13%

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

Actuarial Methods and Assumptions

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

In the November 1, 2014, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a five percent investment rate of return based on the actuary's best estimate of expected long-term plan experience. Healthcare cost trend rates were based the actuaries analysis of recent District experience and knowledge of the general health care environment. The UAAL is being amortized at a level dollar amount over 30 years on an open basis. The actuarial value of plan assets is \$8,241,488 as of June 30, 2015. The District has established two accounts with Public Agency Retirement Services (PARS) for the express purpose of pre-funding retiree health care benefits, although no contributions to the plan were made during the current fiscal year.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2015, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), a public entity risk pool, for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

Workers' Compensation

The District's workers' compensation risks are financed on a combination of self-insured and risk transfer basis.

In the current fiscal year, the District participated in Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers agency. The intent of which is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all participants. Each participant pays its workers' compensation premium based on its individual rate. Participation in ASCIP is limited to districts that can meet ASCIP's selection criteria.

In prior years, the District established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Activity and related claims liability for these claims is recorded in an Internal Service Fund.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Employee Medical Benefits

The District has contracted with Southern California Employee Benefit Association (SCEBA) to provide employee medical and surgical benefits. Dental and vision coverage is provided through the purchase of commercial insurance. The District provides benefits to District employees electing to participate in the plan by paying a premium based on the number of employees participating in the plan.

Claims Liabilities

The District records an estimated liability for indemnity torts and other 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, 2013 to June 30, 2015:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2013	\$ 2,647,000	\$ 204,672	\$ 2,851,672
Claims and changes in estimates	(666,891)	189,210	(477,681)
Claims payments	(287,109)	(259,995)	(547,104)
Liability Balance, June 30, 2014	1,693,000	133,887	1,826,887
Claims and changes in estimates	(409,834)	74,419	(335,415)
Claims payments	(372,781)	(126,080)	(498,861)
Liability Balance, June 30, 2015	\$ 910,385	\$ 82,226	\$ 992,611
Assets available to pay claims at June 30, 2015	\$ 2,144,438	\$ 541,416	\$ 2,685,854

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 120,833,772	\$ 9,753,050	\$ 29,755,086	\$ 10,431,856
CalPERS	33,902,574	5,409,651	11,649,304	3,013,246
Total	<u>\$ 154,736,346</u>	<u>\$ 15,162,701</u>	<u>\$ 41,404,390</u>	<u>\$ 13,445,102</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$9,753,050.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	120,833,772
State's proportionate share of the net pension liability associated with the District		<u>72,964,648</u>
Total	\$	<u><u>193,798,420</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.2068 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$10,431,856. In addition, the District recognized revenue and pension expense of \$6,299,205 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,753,050	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>29,755,086</u>
Total	<u><u>\$ 9,753,050</u></u>	<u><u>\$ 29,755,086</u></u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 7,438,772
2017	7,438,772
2018	7,438,772
2019	7,438,770
Total	<u>\$ 29,755,086</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 188,348,249
Current discount rate (7.60%)	120,833,772
1% increase (8.60%)	64,538,968

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$4,242,128.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,902,574. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2986 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,013,246. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,242,128	\$ -
Net change in proportionate share of net pension liability	1,167,523	-
Difference between projected and actual earnings on pension plan investments	-	11,649,304
Total	<u>\$ 5,409,651</u>	<u>\$ 11,649,304</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years, and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 389,174
2017	389,174
2018	389,175
Total	<u>\$ 1,167,523</u>

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 2,912,326
2017	2,912,326
2018	2,912,326
2019	2,912,326
Total	<u>\$ 11,649,304</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 59,472,853
Current discount rate (7.50%)	33,902,574
1% increase (8.50%)	12,536,027

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Alternative Retirement Program

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 Public Agency Retirement System (PARS) to act as their administrators and Union Bank of California to act as trustee and investment manager for the District's 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 \$99,790.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,566,593 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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 budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

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, 2015.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Elderberry Relo AE09	\$ 17,450	09/01/15
District Wide Install White Brd/Proj AE88	145,172	09/01/15
El Camino Restroom Convers AE80	22,500	11/01/15
Marquees 22 Site AE57	429,653	11/01/15
Lincoln Pool Lift AE82	17,450	02/29/16
NGM Fire Prevention Improvement AE63	918,000	08/31/16
Prop 39 Energy Savings Projects AE61	424,000	07/31/20
	<u>\$ 1,974,225</u>	

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

The District participates in the following public entity risk pools. The Alliance of Schools for Cooperative Insurance Programs (ASCIP) provides property and liability insurance and workers' compensation coverage. The District participates in the Southern California Schools Employee Benefit Association (SCSEBA) for health benefits coverage. Annual premiums are paid to each JPA.

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.

During the year ended June 30, 2015, the District made payments of \$20,618,684 and \$3,216,727 to SCSEBA and ASCIP, respectively.

NOTE 15 – RELATED PARTY TRANSACTION

In August 2011, the District entered into a contract of employment with the Superintendent of the District. The contract included a loan for down payment on a house in the amount of \$100,000. The loan bears a simple interest rate of five percent on the principal balance, which is waived for each year of service provided to the District. Additionally, the loan principal is reduced by \$10,000 for each year of service provided to the District. As of June 30, 2015, the outstanding balance on the loan was \$60,000.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 270,634,576
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(192,166,149)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	11,185,143
Net Position - Beginning, as Restated	<u>\$ 89,653,570</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 168,548,811	\$ 170,737,948	\$ 171,354,387	\$ 616,439
Federal sources	13,569,269	17,070,874	14,769,153	(2,301,721)
Other State sources	14,112,716	18,695,459	24,104,893	5,409,434
Other local sources	13,420,675	14,213,940	14,705,692	491,752
Total Revenues ¹	<u>209,651,471</u>	<u>220,718,221</u>	<u>224,934,125</u>	<u>4,215,904</u>
EXPENDITURES				
Current				
Certificated salaries	109,179,325	118,573,985	113,372,678	5,201,307
Classified salaries	29,756,397	32,479,350	32,779,223	(299,873)
Employee benefits	40,814,719	47,645,201	47,554,979	90,222
Books and supplies	16,936,748	19,936,484	11,804,142	8,132,342
Services and operating expenditures	20,527,385	25,047,302	22,535,872	2,511,430
Other outgo	(281,898)	157,211	(244,354)	401,565
Capital outlay	1,329,181	1,565,170	572,951	992,219
Total Expenditures ¹	<u>218,261,857</u>	<u>245,404,703</u>	<u>228,375,491</u>	<u>17,029,212</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(8,610,386)</u>	<u>(24,686,482)</u>	<u>(3,441,366)</u>	<u>21,245,116</u>
Other Financing (Uses)				
Transfers in	967,821	967,821	71,242	(896,579)
Transfers out	(1,782,494)	(3,053,606)	(3,386,196)	(332,590)
Net Financing (Uses)	<u>(814,673)</u>	<u>(2,085,785)</u>	<u>(3,314,954)</u>	<u>(1,229,169)</u>
NET CHANGE IN FUND BALANCE	<u>(9,425,059)</u>	<u>(26,772,267)</u>	<u>(6,756,320)</u>	<u>20,015,947</u>
Fund Balance - Beginning	<u>78,929,909</u>	<u>78,929,909</u>	<u>78,929,909</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 69,504,850</u>	<u>\$ 52,157,642</u>	<u>\$ 72,173,589</u>	<u>\$ 20,015,947</u>

¹ On behalf payments of \$5,566,593 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected 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)
October 1, 2011	\$ 6,545,733	\$ 27,169,592	\$ 20,623,859	24%	\$ 125,056,457	16%
November 1, 2012	8,087,991	26,543,523	18,455,532	30%	133,959,428	14%
November 1, 2014	8,241,488	27,993,743	19,752,255	29%	147,474,155	13%

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.2068%</u>
District's proportionate share of the net pension liability	\$ 120,833,772
State's proportionate share of the net pension liability associated with the District	<u>72,964,648</u>
Total	<u>\$ 193,798,420</u>
District's covered - employee payroll	<u>\$ 102,526,352</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>118%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability	<u>0.2986%</u>
District's proportionate share of the net pension liability	<u>\$ 33,902,574</u>
District's covered - employee payroll	<u>\$ 31,433,076</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note : In the future, as data become available, ten years of information will be presented.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

2015

CalSTRS

Contractually required contribution	\$ 9,753,050
Contributions in relation to the contractually required contribution	<u>9,753,050</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 109,831,644</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 4,242,128
Contributions in relation to the contractually required contribution	<u>4,242,128</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 36,041,869</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note : In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education:			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14329	\$ 7,283,045
Title II, Part A, Improving Teacher Quality	84.367	14341	1,751,128
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	984,546
Title IV, Part B, 21st Century Community Centers Learning Program	84.287	14349	183,471
Title X, McKinney-Vento Homeless Children Assistance	84.196	14332	151,707
Passed through West End Special Education Local Plan:			
Individuals with Disabilities Education Act (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,825,760
Total U.S. Department of Education			<u>13,179,657</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	1,694,254
Passed through CDE:			
Federal Child Care, Center-Based	93.596	13609	121,092
Passed through County of San Bernardino Human Services System:			
Head Start	93.600	14.646	177,129
Total U.S. Department of Health and Human Services			<u>1,992,475</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	8,060,467
Especially Needy School Breakfast Program	10.553	13390	2,187,920
Commodities	10.555	13396	766,354
Summer Lunch Program	10.559	13004	132,195
Subtotal Child Nutrition Cluster			<u>11,146,936</u>
Child and Adult Care Food Program	10.558	13666	1,435,385
Passed through County of San Bernardino Human Services System:			
Child and Adult Care Food Program	10.558	14.646	1,811
Total U.S. Department of Agriculture			<u>12,584,132</u>
Total Expenditures of Federal Awards			<u>\$ 27,756,264</u>

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Ontario-Montclair School District was established in 1894 and consists of an area comprising approximately 24 square miles. The District operates 26 elementary schools, six middle schools, a community day school, an independent study program, and a child care program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Maureen Mendoza	President	2016
Samuel L. Crowe	Vice President	2018
Alfanzo Sanchez	Clerk	2018
Elvia M. Rivas	Member	2018
Michael C. Flores	Member	2018

ADMINISTRATION

Dr. James Q. Hammond	Superintendent
Phil Hillman	Chief Business Official
Dr. Guy Roubian	Assistant Superintendent, Human Resources
Cynthia Byrd	Assistant Superintendent, Learning and Teaching

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	9,908.67	9,878.72
Fourth through sixth	7,274.59	7,259.86
Seventh and eighth	4,597.75	4,579.04
Total Regular ADA	<u>21,781.01</u>	<u>21,717.62</u>
Extended Year Special Education		
Transitional kindergarten through third	-	7.17
Fourth through sixth	-	6.54
Seventh and eighth	-	3.97
Total Extended Year Special Education	<u>-</u>	<u>17.68</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	6.31	6.64
Fourth through sixth	12.70	12.85
Seventh and eighth	10.19	9.22
Total Special Education, Nonpublic, Nonsectarian Schools	<u>29.20</u>	<u>28.71</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.43	0.12
Fourth through sixth	1.06	0.56
Seventh and eighth	1.25	0.82
Total Community Day School	<u>2.74</u>	<u>1.50</u>
Total ADA	<u>21,812.95</u>	<u>21,765.51</u>

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced 1986-87	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	40,455	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			54,815	180	N/A	Complied
Grade 2			54,815	180	N/A	Complied
Grade 3			54,815	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,010	180	N/A	Complied
Grade 5			55,010	180	N/A	Complied
Grade 6			54,106	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			54,106	180	N/A	Complied
Grade 8			54,106	180	N/A	Complied

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 245,179,257	\$ 224,883,528	\$ 204,952,543	\$ 188,275,488
Other sources and transfers in	-	1,039,063	2,527,869	967,820
Total Revenues and Other Sources	245,179,257	225,922,591	207,480,412	189,243,308
Expenditures	225,161,218	228,375,492	205,481,445	189,140,656
Other uses and transfers out	18,795,127	2,153,605	3,289,441	4,322,034
Total Expenditures and Other Uses	243,956,345	230,529,097	208,770,886	193,462,690
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,222,912	\$ (4,606,506)	\$ (1,290,474)	\$ (4,219,382)
ENDING FUND BALANCE	\$ 62,029,883	\$ 60,806,971	\$ 65,413,477	\$ 66,703,951
AVAILABLE RESERVES ²	\$ 7,829,944	\$ 6,747,307	\$ 54,132,900	\$ 53,618,877
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.21%	3.00%	26.6%	28.4%
LONG-TERM OBLIGATIONS	N/A	\$ 68,409,197	\$ 69,587,512	\$ 69,785,366
K-12 AVERAGE DAILY ATTENDANCE AT P-2	21,548	21,813	22,145	22,113

The General Fund balance has decreased by \$5,896,980 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$1,222,912 (2 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 deficits in all of the past three years and anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$1,376,169 over the past two years.

Average daily attendance has decreased by 300 over the past two years. In addition, a decline of 265 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$5,566,593, \$5,072,745, and \$4,955,033 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
ASSETS				
Deposits and investments	\$ 280,222	\$ 7,952,883	\$ 256,660	\$ 48
Receivables	24,321	1,179,506	391	9
Due from other funds	215,647	5,991	-	-
Stores inventories	-	237,401	-	-
Total Assets	\$ 520,190	\$ 9,375,781	\$ 257,051	\$ 57
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 105,252	\$ 146,587	\$ 235,971	-
Due to other funds	412,590	877,854	840	57
Unearned revenue	1,570	64,666	-	-
Total Liabilities	519,412	1,089,107	236,811	57
Fund Balances:				
Nonspendable	-	273,951	-	-
Restricted	778	8,012,723	-	-
Committed	-	-	20,240	-
Assigned	-	-	-	-
Total Fund Balances	778	8,286,674	20,240	-
Total Liabilities and Fund Balances	\$ 520,190	\$ 9,375,781	\$ 257,051	\$ 57

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,477,726	\$ 7,470,755	\$ 10,942,354	\$ 4,377,381	\$ 32,758,029
1,000	6,663	9,218	-	1,221,108
-	-	300,057	-	521,695
-	-	-	-	237,401
<u>\$ 1,478,726</u>	<u>\$ 7,477,418</u>	<u>\$ 11,251,629</u>	<u>\$ 4,377,381</u>	<u>\$ 34,738,233</u>
\$ 441,050	\$ -	\$ 329,307	\$ -	\$ 1,258,167
-	-	424,034	-	1,715,375
-	-	-	-	66,236
<u>441,050</u>	<u>-</u>	<u>753,341</u>	<u>-</u>	<u>3,039,778</u>
-	-	-	-	273,951
1,037,676	7,477,418	-	4,377,381	20,905,976
-	-	-	-	20,240
-	-	10,498,288	-	10,498,288
<u>1,037,676</u>	<u>7,477,418</u>	<u>10,498,288</u>	<u>4,377,381</u>	<u>31,698,455</u>
<u>\$ 1,478,726</u>	<u>\$ 7,477,418</u>	<u>\$ 11,251,629</u>	<u>\$ 4,377,381</u>	<u>\$ 34,738,233</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
REVENUES				
Federal sources	\$ 121,092	\$ 12,582,321	\$ -	\$ -
Other State sources	2,056,651	877,469	-	-
Other local sources	1,444	232,056	3,221	631
Total Revenues	<u>2,179,187</u>	<u>13,691,846</u>	<u>3,221</u>	<u>631</u>
EXPENDITURES				
Current				
Instruction	2,005,467	-	-	-
Instruction-related activities:				
Supervision of instruction	103,220	-	-	-
School site administration	178,784	-	-	-
Pupil services:				
Food services	-	13,068,601	-	-
All other pupil services	5,000	-	-	-
Administration:				
All other administration	101,336	573,186	-	-
Plant services	207	705,625	1,009,639	-
Facility acquisition and construction	-	-	291,171	45,653
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>2,394,014</u>	<u>14,347,412</u>	<u>1,300,810</u>	<u>45,653</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(214,827)</u>	<u>(655,566)</u>	<u>(1,297,589)</u>	<u>(45,022)</u>
Other Financing Sources (Uses)				
Transfers in	215,605	137,115	-	-
Transfers out	-	-	(208,357)	-
Net Financing Sources	<u>215,605</u>	<u>137,115</u>	<u>(208,357)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>778</u>	<u>(518,451)</u>	<u>(1,505,946)</u>	<u>(45,022)</u>
Fund Balances - Beginning	<u>-</u>	<u>8,805,125</u>	<u>1,526,186</u>	<u>45,022</u>
Fund Balances - Ending	<u>\$ 778</u>	<u>\$ 8,286,674</u>	<u>\$ 20,240</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 12,703,413
-	-	-	22,879	2,956,999
1,521,623	28,848	506,560	3,509,786	5,804,169
1,521,623	28,848	506,560	3,532,665	21,464,581
-	-	-	-	2,005,467
-	-	-	-	103,220
-	-	-	-	178,784
-	-	-	-	13,068,601
-	-	-	-	5,000
-	-	-	-	674,522
496,819	-	659,836	-	2,872,126
53,622	-	456,081	-	846,527
-	-	-	1,500,000	1,500,000
-	-	-	2,284,889	2,284,889
550,441	-	1,115,917	3,784,889	23,539,136
971,182	28,848	(609,357)	(252,224)	(2,074,555)
-	-	2,153,591	-	2,506,311
-	-	-	-	(208,357)
-	-	2,153,591	-	2,297,954
971,182	28,848	1,544,234	(252,224)	223,399
66,494	7,448,570	8,954,054	4,629,605	31,475,056
\$ 1,037,676	\$ 7,477,418	\$ 10,498,288	\$ 4,377,381	\$ 31,698,455

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 14,769	6.6	\$ 14,759	7.2	\$ 17,352	9.2
State and local revenue included in local control funding formula	171,354	76.2	148,003	72.2	112,156	59.6
Other State revenue	24,105	10.7	24,536	12.0	44,791	23.8
Other local revenue	2,241	1.0	5,041	2.5	2,248	1.2
Tuition and transfers in	12,415	5.5	12,613	6.1	11,728	6.2
Total Revenues	224,884	100.0	204,952	100.0	188,275	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	113,373	50.4	103,552	50.5	98,141	52.1
Classified salaries	32,779	14.6	28,181	13.7	26,389	14.0
Employee benefits	47,555	21.1	40,401	19.7	39,553	21.0
Total Salaries and Benefits	193,707	86.1	172,134	83.9	164,083	87.1
Books and supplies	11,804	5.2	10,497	5.2	4,900	2.6
Contracts and operating expenses	22,536	10.0	20,217	9.8	19,909	10.6
Capital outlay	573	0.3	2,323	1.1	368	0.2
Other outgo	(245)	(0.1)	311	0.2	(120)	(0.1)
Total Expenditures	228,375	101.5	205,482	100.2	189,140	100.4
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,491)	(1.5)	(530)	(0.2)	(865)	(0.4)
OTHER FINANCING (USES)						
Operating transfers in	1,039	0.5	2,528	1.2	968	0.5
Operating transfers out	(2,154)	(1.0)	(3,289)	(1.6)	(4,322)	(2.3)
Total Other Financing (Uses)	(1,115)	(0.5)	(761)	(0.4)	(3,354)	(1.8)
INCREASE (DECREASE) IN FUND BALANCE	(4,606)	(2.0)	(1,291)	(0.6)	(4,219)	(2.2)
FUND BALANCE, BEGINNING	65,413		66,704		70,923	
FUND BALANCE, ENDING	\$ 60,807		\$ 65,413		\$ 66,704	

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 12,582	91.9	\$ 12,357	88.1	\$ 11,313	89.9
State meal program	877	6.4	838	6.0	862	6.8
Food sales	196	1.4	244	1.7	319	2.5
Other	37	0.3	598	4.2	98	0.8
Total Revenues	13,692	100.0	14,037	100.0	12,592	100.0
EXPENDITURES						
Salaries and employee benefits	6,278	45.9	5,690	40.5	4,504	35.8
Food	6,369	46.5	6,447	45.9	5,442	43.2
Supplies	577	4.2	991	7.1	1,071	8.5
Other	1,123	8.2	2,278	16.2	2,083	16.5
Total Expenditures	14,347	104.8	15,406	109.7	13,100	104.0
INCREASE IN FUND BALANCE	(655)	(4.8)	(1,369)	(9.7)	(508)	(4.0)
OTHER FINANCING SOURCES						
Operating transfers in	137	1.0	-	-	-	0.0
INCREASE IN FUND BALANCE	(518)	(3.8)	(1,369)	(9.7)	(508)	(4.0)
FUND BALANCE, BEGINNING	8,805		10,174		10,682	
FUND BALANCE, ENDING	\$ 8,287		\$ 8,805		\$ 10,174	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	263,216	9.1	263,077	8.8	259,379	8.5
Reduced price	263,783	9.1	264,005	8.8	286,938	9.4
Free	2,373,848	81.8	2,467,862	82.4	2,514,279	82.1
Total Lunches	2,900,847	100.0	2,994,944	100.0	3,060,596	100.0
BREAKFAST						
Paid	115,471	9.4	103,093	9.0	95,813	8.7
Reduced price	91,540	7.5	81,256	7.1	82,665	7.5
Free	1,016,052	83.1	965,320	83.9	924,320	83.8
Total Breakfast	1,223,063	100.0	1,149,669	100.0	1,102,798	100.0

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that were recorded in the prior period as revenues and were unspent. These amounts were expended as of June 30, 2015.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 27,472,566
Medi-Cal Billing Option	93.778	283,698
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,756,264</u>

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. The District neither met nor exceeded its funding target. 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 1986-87 requirements, as required by *Education Code* Section 46201.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

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

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are 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 Balances.

General Fund Selected Financial Information

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

Cafeteria Fund Selected Financial Information

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

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INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Ontario-Montclair School District
Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ontario-Montclair School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ontario-Montclair School District's basic financial statements, and have issued our report thereon dated December 6, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Ontario-Montclair School District in a separate letter dated December 6, 2015.

Purpose of This Report

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

Vavrinek, Irino, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015



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

Governing Board
Ontario-Montclair School District
Ontario, California

Report on Compliance for Each Major Federal Program

We have audited Ontario-Montclair School District's (the District) compliance with the types of compliance requirement described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ontario-Montclair School District's major Federal programs for the year ended June 30, 2015. Ontario-Montclair School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ontario-Montclair School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Ontario-Montclair 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Ontario-Montclair School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ontario-Montclair School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Ontario-Montclair School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ontario-Montclair School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ontario-Montclair School District's internal control over compliance.

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

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

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

Vavrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ontario-Montclair School District
Ontario, California

Report on State Compliance

We have audited Ontario-Montclair School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Ontario-Montclair School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of Ontario-Montclair School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Ontario-Montclair 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 opinions. Our audit does not provide a legal determination of Ontario-Montclair School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Ontario-Montclair School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because ADA was below the required threshold for testing.

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District is an elementary school district and does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District is an elementary school district and does not have a Regional Occupational Center or Program; therefore, we did not perform procedures related to the Regional Occupational Centers or Programs Maintenance of Effort.

The District is an elementary school district and does not have an Adult Education Program; therefore, we did not perform procedures related to the Adult Education Maintenance of Effort.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinck, Irino, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.365</u>	<u>Title III, Limited English Proficient (LEP) Student Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 832,688</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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ONTARIO-MONTCLAIR SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Federal Awards Findings

2014-001 50000

Federal Program Affected

Program Name: Medi-Cal Billing Option

CFDA Number: 93.778

Pass-Through Entity: California Department of Health Care Services

Federal Agency: U.S. Department of Health and Human Services

Criteria or Specific Requirements

OMB Circular A-87 Cost Principles as governed by Title 2, Code of Federal Regulations, Part 225, Appendix B, Item 15(b)(1) and (3) states that (1) capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency; and (3) capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

Condition

The District expended Medi-Cal Billing Option Funds on capital expenditures that were not preapproved by California Department of Health Care Services (DHCS). The District spent \$71,242 on capital expenditures that were not preapproved.

Questioned Costs

A total of \$71,242 in questioned costs was identified as a result of the condition identified above.

Context

The condition was identified as a result of the auditor's review of the Medi-Cal Billing Option program expenditures and related invoices, and inquiry of categorical program personnel.

Effect

As a result, capital improvements totaling \$71,242 were not preapproved as required.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Cause

The condition identified appears to have materialized as a result of the District expending funds on capital expenditures that were not preapproved by DHCS.

Recommendation

The District should update procedures to ensure that any capital expenditure made with Federal monies is preapproved by the awarding agency prior to the purchase.

Current Status

Implemented.



Governing Board
Ontario-Montclair School District
Ontario, California

In planning and performing our audit of the financial statements of Ontario-Montclair School District for the year ended June 30, 2015, 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 opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2015, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Non-Payroll Disbursements

Observation

Three out of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursement procedures require multiple levels of approval depending on the nature of the disbursement. One of those approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and availability of funds.

ASSOCIATED STUDENT BODY

El Camino Elementary School

Observation

All of the cash receipts (159 total) tested were not deposited in a timely manner. Delay in deposit ranged from approximately 42 to 104 days from the date of receipt. This could result in large cash balances being maintained at the site which can hinder the safeguarding of ASB assets.

Recommendation

The ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Vineyard Elementary School

Observation

Seven out of 17 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 15 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Oaks Middle School

Observation

Fourteen out of 90 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 34 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Observation

Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the Recap Sheet for Student Body Fund Deposits. Five out of 90 receipts tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact.

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. 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. When teachers are turning in monies for deposit, a Recap Sheet for Student Body Fund Deposits should be turned in with the yellow copy of the receipt and monies to clearly identify the total amount being turned in.

Observation

Two out of 14 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds.

Recommendation

In order to ensure proper internal controls over disbursements, the site should ensure that all disbursement transactions are pre-approved by the student body. This would allow the student body to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Observation

A master ticket log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.

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

Vavrinck, Jino, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

