ONTARIO-MONTCLAIR SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

ONTARIO-MONTCLAIR SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

ONTARIO-MONTCLAIR SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

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, 2016, 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 *2015-2016 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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 69, schedule of other postemployment benefits funding progress on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 Schedule of Expenditures of Federal Awards and other 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 2, 2016, 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2016

Ontario-Montclair
School District

950 West D Street, Ontario, California 91762 • (909) 418-6450 FAX: (909) 459-2555

BUSINESS SERVICES

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, 2016, with comparative information from the fiscal year ending June 30, 2015. 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.

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.

***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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $85,164,034 for the fiscal year ended June 30, 2016. Of this amount, $(102,262,152) 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	
	2016	2015
Assets		
Current and other assets	$ 160,143,533	$ 138,605,535
Capital assets	208,171,343	212,061,755
Total Assets	368,314,876	350,667,290
Deferred Outflows of Resources	60,818,052	15,952,445
Liabilities		
Current liabilities	29,212,626	21,928,852
Long-term obligations	68,896,158	68,409,197
Aggregate net pension liability	205,504,033	154,736,346
Total Liabilities	303,612,817	245,074,395
Deferred Inflows of Resources	40,356,077	41,404,390
Net Position		
Net investment in capital assets	159,811,187	159,226,434
Restricted	27,614,999	25,720,775
Unrestricted	(102,262,152)	(104,806,259)
Total Net Position	$ 85,164,034	$ 80,140,950

The $(102,262,152) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

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

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 1,520,907	$ 1,590,934
Operating grants and contributions	54,633,537	61,684,480
Capital grants and contributions	42,305	28,847
General revenues:		
Federal and State aid not restricted	193,781,938	161,632,398
Property taxes	24,102,212	18,550,831
Other general revenues	5,740,271	3,631,689
Total Revenues	279,821,170	247,119,179
Expenses		
Instruction-related	204,234,920	190,528,868
Student support services	32,210,516	29,251,326
Administration	11,946,921	12,307,127
Plant services	21,524,092	20,641,244
Other	4,881,637	3,903,234
Total Expenses	274,798,086	256,631,799
Change in Net Position	$ 5,023,084	$ (9,512,620)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $274,798,086. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $24,102,212 because the cost was paid by those who benefited from the programs $(1,520,907) or by other governments and organizations who subsidized certain programs with grants and contributions $(54,633,537). We paid for the remaining "public benefit" portion of our governmental activities with $199,522,209 in Federal and State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: 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

	2016		2015	
	Total Cost of Services	Net Cost/ (Revenues) of Services	Total Cost of Services	Net Cost/ (Revenues) of Services
Instruction and other related	$ 185,858,553	$ 153,843,741	$ 172,554,291	$ 129,578,461
School administration	18,376,367	16,630,851	17,974,577	20,144,857
Pupil transportation	4,133,565	4,064,547	3,225,398	3,121,326
Food services	14,545,016	2,257,255	13,705,479	1,994,427
Other student support services	13,531,935	8,800,418	12,320,449	7,155,622
Administration	11,946,921	9,849,745	12,307,127	10,082,785
Plant services	21,524,092	20,385,762	20,641,244	19,272,451
Other	4,881,637	2,769,018	3,903,234	1,977,609
Total	$ 274,798,086	$ 218,601,337	$ 256,631,799	$ 193,327,538

THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $117,688,027, which is an increase of $13,815,983 from prior year. The fund balance in the General Fund increased to $81,260,463 from $72,173,589, Special Reserve Fund for Capital Outlay Projects increased to $13,957,824 from $10,498,288, and Non-Major Governmental funds increased in aggregate to $22,469,740 from $21,200,167. Overall, a majority of the fund balance increase was due to additional state funding in the District's Local Control Funding Formula (LCFF), which increased by $26,884,983 in the current year.

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, 2016. (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 69.)

Revenue and expenditure revisions were made to the 2015-2016 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had a carrying value of $208,171,343 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 $3,890,412, or 1.8 percent, from last year.

Table 4

	Governmental Activities	
	2016	2015
Land and construction in progress	$ 10,414,877	$ 7,922,831
Buildings and improvements	194,438,050	200,759,806
Equipment	3,318,416	3,379,118
Total	$ 208,171,343	$ 212,061,755

Several capital projects are planned for the 2015-2016 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $68,896,158 in long-term obligations outstanding versus $68,409,197 last year, resulting in an increase of $486,961 from last year. Those long-term obligations consisted of:

Table 5

	Governmental Activities	
	2016	2015
General obligation bonds	$ 52,834,951	$ 53,625,065
Compensated absences	2,359,079	2,034,861
Other postemployment benefits	12,721,200	11,491,961
Claims liability	741,744	992,611
SELF workers' compensation assessment	239,184	264,699
Total	$ 68,896,158	$ 68,409,197

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year end, the District had a pension liability of $205,504,033 as a result 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the District Board of Trustees 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 2016-2017:

   a. 2016-2017: 20,740 Estimated P-2
   b. 2015-2016: 21,250 Actual P-2
   c. 2014-2015: 21,813 Actual P-2

B. Revenue Assumptions

1. Local Control Funding Formula (LCFF) is budgeted to increase to $207.2 million:
    a. Cost of Living Adjustment (COLA) of 0.0 percent.
    b. GAP funding rate of 54.84 percent.
    c. An 88.01 percent of unduplicated pupils, the count of pupils who are English Learner students, Free or Reduced Price Meal students, and/or Foster Youth.
    d. Local property taxes of $13,291,068.

2. Other State and Federal Revenue assumptions include:
    a. One-time discretionary Proposition 98 funding of $4.92 million

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 2016-2017 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.

D. Fund Balance

1. The total District budgeted Fund Balance is based on the District's 2015-16 General Fund Estimated Actuals Report and 2016-17 General Fund Adopted Budget Report. This balance is estimated at $66.8 million, which includes Nonspendable balances of $249,718, Assigned balances of $55.9 million, Restricted balances of $3.29 million, and an Economic Uncertainties balance of $7.35 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 (2016-2017) and two subsequent fiscal years (2017-2018 and 2018-2019).

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, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 147,682,205
Receivables	11,860,387
Prepaid expenses	55,334
Stores inventories	545,607
Capital assets	
Land and construction in progress	10,414,877
Other capital assets	323,237,050
Less accumulated depreciation	(125,480,584)
Total Capital Assets	208,171,343
Total Assets	368,314,876
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	730,513
Deferred outflows of resources related to pensions	60,087,539
Total Deferred Outflows of Resources	60,818,052
LIABILITIES	
Accounts payable	28,105,097
Interest payable	925,282
Unearned revenue	182,247
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,910,015
Noncurrent portion of long-term obligations other than pensions	66,986,143
Total Long-Term Obligations	68,896,158
Aggregate net pension liability	205,504,033
Total Liabilities	303,612,817
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	40,356,077
NET POSITION	
Net investment in capital assets	159,811,187
Restricted for:	
Debt service	3,538,351
Capital projects	9,995,067
Educational programs	6,514,694
Other activities	7,566,887
Unrestricted	(102,262,152)
Total Net Position	$ 85,164,034

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 178,967,904	$ 10,145	$ 30,107,725	$ 42,305	$ (148,807,729)
Instruction-related activities:					
Supervision of instruction	5,773,059	7,364	1,649,595	-	(4,116,100)
Instructional library, media, and technology	1,117,590	-	197,678	-	(919,912)
School site administration	18,376,367	2,578	1,742,938	-	(16,630,851)
Pupil services:					
Home-to-school transportation	4,133,565	-	69,018	-	(4,064,547)
Food services	14,545,016	198,792	12,088,969	-	(2,257,255)
All other pupil services	13,531,935	61,337	4,670,180	-	(8,800,418)
Administration:					
Data processing	3,879,853	-	1,095	-	(3,878,758)
All other administration	8,067,068	14,664	2,081,417	-	(5,970,987)
Plant services	21,524,092	208,410	929,920	-	(20,385,762)
Ancillary services	650,540	-	20,069	-	(630,471)
Interest on long-term obligations	2,840,819	-	-	-	(2,840,819)
Other outgo	1,390,278	1,017,617	1,074,933	-	702,272
Total Governmental Activities	$ 274,798,086	$ 1,520,907	$ 54,633,537	$ 42,305	(218,601,337)

General Revenues and Subventions:	
Property taxes, levied for general purposes	20,134,576
Property taxes, levied for debt service	3,176,248
Taxes levied for other specific purposes	791,388
Federal and State aid not restricted to specific purposes	193,781,938
Interest and investment earnings	474,636
Miscellaneous	5,265,635
Total General Revenues and Subventions	223,624,421
Change in Net Position	5,023,084
Net Position - Beginning	80,140,950
Net Position - Ending	$ 85,164,034

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 102,426,332	$ 12,344,328	$ 20,455,933	$ 135,226,593
Receivables	8,601,745	22,431	3,210,548	11,834,724
Due from other funds	2,467,179	3,153,782	183,420	5,804,381
Prepaid expenditures	55,334	-	-	55,334
Stores inventories	190,209	-	355,398	545,607
Total Assets	$ 113,740,799	$ 15,520,541	$ 24,205,299	$ 153,466,639
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 27,249,715	$ 404,522	$ 346,985	$ 28,001,222
Due to other funds	5,130,781	1,158,195	1,306,167	7,595,143
Unearned revenue	99,840	-	82,407	182,247
Total Liabilities	32,480,336	1,562,717	1,735,559	35,778,612
Fund Balances:				
Nonspendable	320,543	-	391,948	712,491
Restricted	6,514,694	-	22,025,587	28,540,281
Committed	-	-	52,205	52,205
Assigned	66,414,752	13,957,824	-	80,372,576
Unassigned	8,010,474	-	-	8,010,474
Total Fund Balances	81,260,463	13,957,824	22,469,740	117,688,027
Total Liabilities and Fund Balances	$ 113,740,799	$ 15,520,541	$ 24,205,299	$ 153,466,639

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, 2016

Total Fund Balance - Governmental Funds		**$ 117,688,027**
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	$ 333,651,927	
Accumulated depreciation is	(125,480,584)	
Net Capital Assets		208,171,343
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.		730,513
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		16,247,049
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.		(925,282)
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 Fundare included with governmental activities.		13,187,234
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.		(14,483,346)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		110,330
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 average remaining service life of members receiving pension benefits.		20,805,841
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(2,948,412)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(205,504,033)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2016

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ (48,199,904)	
Premium on general obligation bonds	(890,765)	
Compensated absences (vacations)	(2,359,079)	
Other postemployment benefits (OPEB)	(12,721,200)	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	(3,744,282)	
Total Long-Term Obligations		$ (67,915,230)
Total Net Position - Governmental Activities		**$ 85,164,034**

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, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local control funding formula	$ 198,239,370	$ -	$ -	$ 198,239,370
Federal sources	13,769,246	-	13,781,023	27,550,269
Other state sources	31,572,148	-	3,208,938	34,781,086
Other local sources	14,154,919	271,213	5,601,550	20,027,682
Total Revenues	257,735,683	271,213	22,591,511	280,598,407
EXPENDITURES				
Current				
Instruction	165,881,777	-	2,205,236	168,087,013
Instruction-related activities:				
Supervision of instruction	5,581,991	-	172,654	5,754,645
Instructional library, media, and technology	1,079,500	-	-	1,079,500
School site administration	17,652,055	-	209,937	17,861,992
Pupil services:				
Home-to-school transportation	4,099,160	-	-	4,099,160
Food services	9,952	-	13,630,476	13,640,428
All other pupil services	13,143,039	-	10,542	13,153,581
Administration:				
Data processing	3,792,173	-	-	3,792,173
All other administration	7,018,057	-	811,632	7,829,689
Plant services	19,300,543	1,023,993	1,040,332	21,364,868
Facility acquisition and construction	1,337,263	2,015,566	152,666	3,505,495
Ancillary services	636,020	-	-	636,020
Other outgo	1,390,278	-	-	1,390,278
Debt service				
Principal	-	-	1,345,000	1,345,000
Interest and other	-	-	2,242,582	2,242,582
Total Expenditures	240,921,808	3,039,559	21,821,057	265,782,424
Excess (Deficiency) of Revenues Over Expenditures	16,813,875	(2,768,346)	770,454	14,815,983
Other Financing Sources (Uses)				
Transfers in	172,493	6,322,882	578,456	7,073,831
Transfers out	(7,899,494)	(95,000)	(79,337)	(8,073,831)
Net Financing Sources (Uses)	(7,727,001)	6,227,882	499,119	(1,000,000)
NET CHANGE IN FUND BALANCES	9,086,874	3,459,536	1,269,573	13,815,983
Fund Balances - Beginning	72,173,589	10,498,288	21,200,167	103,872,044
Fund Balances - Ending	$ 81,260,463	$ 13,957,824	$ 22,469,740	$ 117,688,027

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, 2016

Total Net Change in Fund Balances - Governmental Funds		**$ 13,815,983**
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	$ (7,707,026)	
Capital outlays	3,816,614	
Net Expense Adjustment		(3,890,412)
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.		(1,229,239)
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, there are no special termination benefits. Vacation earned was more than the amounts paid by $324,218.		(324,218)
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.		(4,794,536)
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.		1,345,000
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	63,625	
Amortization of deferred amount on refunding	(59,231)	
Combined Adjustment		4,394

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

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, 2016

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 $15,880, and second, $618,511 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	$	(602,631)
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.		698,743
Change in Net Position of Governmental Activities	**$**	**5,023,084**

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 12,455,612
Receivables	25,663
Due from other funds	1,796,029
Total Current Assets	14,277,304
LIABILITIES	
Current Liabilities	
Accounts payable	103,875
Due to other funds	5,267
Current portion of claims liability	400,015
Total Current Liabilities	509,157
Noncurrent Liabilities	
Noncurrent portion of claims liability and SELF assessment	580,913
NET POSITION	
Restricted	$ 13,187,234

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, 2016

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 3,887,553
OPERATING EXPENSES	
Payroll costs	77,143
Supplies and materials	16,511
Facility rental	8,139
Other operating cost	4,162,456
Total Operating Expenses	4,264,249
Operating Loss	(376,696)
NON-OPERATING REVENUES	
Interest income	75,424
Transfers in	1,000,000
Grants	15
Total Non-operating Revenues	1,075,439
Change in Net Position	698,743
Total Net Position - Beginning	12,488,491
Total Net Position - Ending	$ 13,187,234

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, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 5,771,767
Cash payments to employees for services	(77,143)
Other operating cash payments	(24,650)
Cash payments for claims	(4,374,935)
Net Cash Provided by Operating Activities	1,295,039
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	1,000,000
Cash received from grants	15
Net Cash Provided by Noncapital Financing Activities	1,000,015
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	58,439
Net Increase in Cash and Cash Equivalents	2,353,493
Cash and Cash Equivalents - Beginning	10,102,119
Cash and Cash Equivalents - Ending	$ 12,455,612
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (376,696)
Changes in assets and liabilities:	
Receivables	10,323
Due from other funds	1,874,253
Accounts payable	63,903
Due to other funds	(362)
Claims liability and SELF assessment	(276,382)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,295,039

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 347,803
Stores inventories	55,962
Total Assets	$ 403,765
LIABILITIES	
Due to student groups	$ 403,765

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

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 $15,763,563.

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).

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).

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 lA), 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.).

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.

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.

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, 2016, 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.

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.

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 prepay 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, and pension related items including the current year pension contributions, the difference between projected and actual earnings on pension plan investments specific to the net pension liability, the differences between expected and actual experience in the measurement of the total pension liability, 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 pension related items including the difference between projected and actual earnings on pension plan investments specific to the net pension liability, the difference between expected and actual experience in the measurement of the total pension liability, changes in assumptions, and for the unamortized amount on net change in proportionate share of net pension liability.

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, 2016, 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 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.

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 $27,614,999 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.

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 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 District has implemented the provisions of this Statement as of June 30, 2016.

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 provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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 District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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*.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$ 147,682,205
Fiduciary funds	347,803
Total Deposits and Investments	$ 148,030,008

Deposits and investments as of June 30, 2016, consisted of the following:

Cash on hand and in banks	$ 557,803
Cash in revolving	111,550
Investments	147,360,655
Total Deposits and Investments	$ 148,030,008

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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:

Investment Type	Reported Amount	Weighted Average Maturity in Days
San Bernardino County Investment Pool	$ 147,360,655	311

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, 2016, 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.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Investment are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Reported Amount	Uncategorized
San Bernardino County Investment Pool	$ 147,360,655	$ 147,360,655

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 3,204,090	$ -	$ 2,769,067	$ -	$ 5,973,157
State Government					
Categorical aid	1,216,823	-	292,232	-	1,509,055
Special education	1,368,784		-	-	1,368,784
Lottery	2,444,686		-	-	2,444,686
Local Government					
Interest	168,834	22,431	27,941	25,663	244,869
Other Local Sources					
Other	198,528	-	121,308	-	319,836
Total	$ 8,601,745	$ 22,431	$ 3,210,548	$ 25,663	$ 11,860,387

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 6,160,798	$ -	$ -	$ 6,160,798
Construction in progress	1,762,033	3,525,392	1,033,346	4,254,079
Total Capital Assets Not Being Depreciated	7,922,831	3,525,392	1,033,346	10,414,877
Capital Assets Being Depreciated				
Buildings and improvements	303,879,649	737,838	-	304,617,487
Furniture and equipment	18,109,833	586,730	77,000	18,619,563
Total Capital Assets Being Depreciated	321,989,482	1,324,568	77,000	323,237,050
Total Capital Assets	329,912,313	4,849,960	1,110,346	333,651,927
Less Accumulated Depreciation				
Buildings and improvements	103,119,843	7,059,594	-	110,179,437
Furniture and equipment	14,730,715	647,432	77,000	15,301,147
Total Accumulated Depreciation	117,850,558	7,707,026	77,000	125,480,584
Governmental Activities Capital Assets, Net	$ 212,061,755	$ (2,857,066)	$ 1,033,346	$ 208,171,343

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 6,999,521
Food service	707,505
Total Depreciation	$ 7,707,026

NOTE 6 – 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, 2016, between major and non-major governmental funds and internal service funds are as follows:

	Due From				
Due To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 1,158,195	$ 1,303,717	$ 5,267	$ 2,467,179
Special Reserve Fund for Capital Outlay Projects	3,153,782	-	-	-	3,153,782
Non-Major Governmental Funds	180,970	-	2,450	-	183,420
Internal Service Fund	1,796,029	-	-	-	1,796,029
Total	$ 5,130,781	$ 1,158,195	$ 1,306,167	$ 5,267	$ 7,600,410

A balance of $449,734 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 $853,983 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of $1,158,195 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects for the reimbursement of capital outlay projects.

A balance of $5,267 is due to the General Fund from the Internal Service Fund for the reimbursement of operating costs.

A balance of $180,970 is due to the Child Development Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of $1,753 is due to the Child Development Non-Major Governmental Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of operating costs.

A balance of $697 is due to the Cafeteria Non-Major Governmental Fund from the Child Development Non-Major Governmental Fund for the reimbursement of operating costs.

A balance of $3,153,782 is due to the Special Reserve Fund for Capital Outlay Projects from the General Fund for capital project reserve.

A balance of $1,040,757 is due to the Internal Service Fund from the General Fund for contribution for other postemployment benefits.

A balance of $755,272 is due to the Internal Service Fund from the General Fund for contribution for workers' compensation insurance.

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfers From			
Transfer To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 95,000	$ 77,493	$ 172,493
Special Reserve Fund for Capital Outlay Projects	6,322,882	-	-	6,322,882
Non-Major Governmental Funds	576,612	-	1,844	578,456
Internal Service Fund	1,000,000	-	-	1,000,000
Total	$ 7,899,494	$ 95,000	$ 79,337	$ 8,073,831

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital project reserves and RDA funds.	$ 6,322,882
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating costs.	180,969
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects.	21,413
The General Fund transferred to the County School Facilities Non-Major Governmental Fund for emergency repair program.	374,230
The General Fund transferred to the Internal Service Fund for property and liability claims.	1,000,000
The Child Development Non-Major Governmental Fund transferred to the Cafeteria Non-Major Governmental Fund for operating costs.	1,844
The County School Facilities Non-Major Governmental Fund transferred to the General Fund for project costs.	77,493
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for project costs.	95,000
	$ 8,073,831

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 12,643,347	$ -	$ 200,800	$ -	$ 12,844,147
State principal apportionment	2,152,339	-	-	-	2,152,339
Supplies	7,617,169	177,984	88,695	4,180	7,888,028
Services	2,922,179	40,432	57,490	99,695	3,119,796
Capital outlay	1,015,591	186,106	-	-	1,201,697
Due to SELPA	381,573	-	-	-	381,573
Other vendor payables	517,517	-	-	-	517,517
Total	$ 27,249,715	$ 404,522	$ 346,985	$ 103,875	$ 28,105,097

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 99,840	$ 10,146	$ 109,986
Other local	-	72,261	72,261
Total	$ 99,840	$ 82,407	$ 182,247

NOTE 9 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	$ 52,670,675	$ 618,511	$ 1,345,000	$ 51,944,186	$ 1,510,000
Unamortized premium	954,390	-	63,625	890,765	-
Compensated absences	2,034,861	324,218	-	2,359,079	-
Other postemployment benefits	11,491,961	3,019,371	1,790,132	12,721,200	-
Claims liability	992,611	149,148	400,015	741,744	400,015
SELF workers' compensation assessment	264,699	-	25,515	239,184	-
	$ 68,409,197	$ 4,111,248	$ 3,624,287	$ 68,896,158	$ 1,910,015

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.

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 2015	Accreted Interest	Redeemed	Bonds Outstanding End of Year 2016
Series B	2006	8/1/2031	4.50-5.00%	$ 9,999,646	$ 1,753,521	$ 120,230	$ 280,000	$ 1,593,751
Series C	2008	8/1/2033	4.50-8.90%	7,999,994	7,445,984	128,757	225,000	7,349,741
Series D	2010	8/1/2030	2.00-6.56%	4,100,263	5,256,170	369,524	280,000	5,345,694
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	19,010,000	-	560,000	18,450,000
					$ 52,670,675	$ 618,511	$ 1,345,000	$ 51,944,186

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2035 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest	Total
2017	$ 1,510,000	$ 2,201,189	$ -	$ 3,711,189
2018	1,672,587	2,160,233	17,413	3,850,233
2019	1,833,389	2,114,464	41,611	3,989,464
2020	1,997,006	2,063,639	72,994	4,133,639
2021	2,275,000	1,990,406	-	4,265,406
2022-2026	15,496,983	8,234,719	1,033,017	24,764,719
2027-2031	11,165,633	5,967,334	10,553,420	27,686,387
2032-2035	15,993,588	2,386,335	2,016,413	20,396,336
Total	$ 51,944,186	$ 27,118,319	$ 13,734,868	$ 92,797,373

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $2,359,079.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $3,046,762, and contributions made by the District during the year were $1,790,132. Interest on the net OPEB obligation and adjustments to the annual required contribution were $574,598 and $(601,989), respectively, which resulted in an increase to the net OPEB obligation of $1,229,239. As of June 30, 2016, the net OPEB obligation was $12,721,200. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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, 2016, totaling $741,744, 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, 2016, the District's outstanding obligation for their pro-rata share of equity assessed was $239,184.

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 75,000	$ -	$ 36,550	$ 111,550
Stores inventories	190,209	-	355,398	545,607
Prepaid expenditures	55,334	-	-	55,334
Total Nonspendable	320,543	-	391,948	712,491
Restricted				
Legally restricted programs	6,514,694	-	7,566,887	14,081,581
Capital projects	-	-	9,995,067	9,995,067
Debt services	-	-	4,463,633	4,463,633
Total Restricted	6,514,694	-	22,025,587	28,540,281
Committed				
Deferred maintenance program	-	-	52,205	52,205
Assigned				
Capital projects	-	13,957,824	-	13,957,824
Board policy reserve	36,367,220	-	-	36,367,220
CSEA professional development	70,925	-	-	70,925
Targeted school site carryover	713,879	-	-	713,879
Site donation carryover	210,851	-	-	210,851
Site discretionary carryover	2,177,157	-	-	2,177,157
Budget stabilization account	11,111,157	-	-	11,111,157
Retiree PARS plans liability	3,341,487	-	-	3,341,487
Pension reserve	2,268,872	-	-	2,268,872
Textbook reserve	2,212,286	-	-	2,212,286
General OPEB liability reserve	7,933,582	-	-	7,933,582
Other	7,336	-	-	7,336
Total Assigned	66,414,752	13,957,824	-	80,372,576
Unassigned				
Reserve for economic uncertainties	8,010,474	-	-	8,010,474
Total	$ 81,260,463	$ 13,957,824	$ 22,469,740	$ 117,688,027

NOTE 11 – 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 263 retirees currently receiving benefits, 26 terminated Plan members entitled to but not yet receiving benefits, and 2,114 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 2015-2016, the District contributed $1,790,132 to the Plan, all of which was used for current premiums (approximately 90 percent of total premiums). Plan members receiving benefits contributed $197,292, or approximately ten 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	574,598
Adjustment to annual required contribution	(601,989)
Annual OPEB cost (expense)	3,019,371
Contributions made	(1,790,132)
Increase in net OPEB obligation	1,229,239
Net OPEB obligation, beginning of year	11,491,961
Net OPEB obligation, end of year	$ 12,721,200

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
2014	$ 2,927,730	$ 1,322,179	45%	$ 9,979,943
2015	3,022,975	1,510,957	50%	11,491,961
2016	3,019,371	1,790,132	59%	12,721,200

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - 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	$ 8,234,319	$ 27,993,743	$ 19,759,424	29%	$ 149,735,992	13%

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

Actuarial Methods and Assumptions

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

In the 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 $8,234,319 as of June 30, 2016. 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 12 – 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, 2016, 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.

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, 2014 to June 30, 2016:

	Workers' Compensation	Property and Liability	Total
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
Claims and changes in estimates	(74,626)	223,774	149,148
Claims payments	(94,015)	(306,000)	(400,015)
Liability Balance, June 30, 2016	$ 741,744	$ -	$ 741,744
Assets available to pay claims at June 30, 2016	$ 1,553,013	$ 456,312	$ 2,009,325

NOTE 13 – 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).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 157,517,723	$ 41,171,107	$ 27,883,332	$ 15,179,287
CalPERS	47,986,310	18,916,432	12,472,745	5,083,950
Total	$ 205,504,033	$ 60,087,539	$ 40,356,077	$ 20,263,237

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, 2014, 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.

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, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $11,785,146.

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

At June 30, 2016, 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	$	157,517,723
State's proportionate share of the net pension liability associated with the District		83,309,511
Total	$	240,827,234

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.2340 percent and 0.2068 percent, resulting in a net increase in the proportionate share of 0.0272 percent.

For the year ended June 30, 2016, the District recognized pension expense of $15,179,287. In addition, the District recognized pension expense and revenue of $6,453,257 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Pension contributions subsequent to measurement date	$	11,785,146	$	-
Net change in proportionate share of net pension liability		16,975,041		-
Difference between projected and actual earnings on pension plan investments		12,410,920		25,251,174
Differences between expected and actual experience in the measurement of the total pension liability		-		2,632,158
Total	$	41,171,107	$	27,883,332

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (5,314,328)
2018	(5,314,328)
2019	(5,314,328)
2020	3,102,730
Total	$ (12,840,254)

The deferred outflows/ (inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 2,390,480
2018	2,390,480
2019	2,390,480
2020	2,390,480
2021	2,390,480
Thereafter	2,390,483
Total	$ 14,342,883

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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%)	$ 237,839,502
Current discount rate (7.60%)	157,517,723
1% increase (8.60%)	90,763,844

<u>California Public Employees Retirement System (CalPERS)</u>

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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 provide 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
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	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2016, are presented above and the total District contributions were $4,461,903.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $47,986,310. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.3255 percent and 0.2986 percent, resulting in a net increase in the proportionate share of 0.0269 percent.

For the year ended June 30, 2016, the District recognized pension expense of $5,083,950. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,461,903	$ -
Net change in proportionate share of net pension liability	3,830,800	-
Difference between projected and actual earnings on pension plan investments	7,881,241	9,524,333
Differences between expected and actual experience in the measurement of the total pension liability	2,742,488	-
Changes of assumptions	-	2,948,412
Total	$ 18,916,432	$ 12,472,745

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,204,467)
2018	(1,204,467)
2019	(1,204,467)
2020	1,970,309
Total	$ (1,643,092)

The deferred outflows/ (inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 1,370,735
2018	1,370,736
2019	883,405
Total	$ 3,624,876

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$ 78,101,716
Current discount rate (7.65%)	47,986,310
1% increase (8.65%)	22,943,336

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 $158,385.

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 $7,305,918 (7.12589 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 included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 – 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, 2016.

Litigation

The District is involved in various litigations 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, 2016.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Ramona Prop 39 Plumbing AE61	$ 30,395	08/01/16
Wiltsey and Central Seismic Retrofit AE96	79,981	08/01/16
Berlyn Prop 39 HVAC Energy Management System AE61	464,218	08/01/16
Corona Prop 39 HVAC Energy Management System AE61	147,807	08/01/16
Edison Roof Coating	79,098	08/01/16
Bon View Roof Coating	114,669	08/01/16
Ramona Prop 39 HVAC Energy Management System AE61	197,156	08/01/16
Serrano Prop 39 HVAC Energy Management System AE61	116,103	09/01/16
District Wide Projector Board Installations AE88	120,388	01/01/17
	$ 1,349,815	

NOTE 15 – 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, 2016, the District made payments of $25,424,903 and $3,626,862 to SCSEBA and ASCIP, respectively.

NOTE 16 – 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. Upon the Superintendent completing eight years of service to the District, the remaining balance of the loan shall be discharged in full. As of June 30, 2016, the outstanding balance on the loan was $50,000.

NOTE 17 - SUBSEQUENT EVENTS

2016 General Obligation Refunding Bonds, Series A

In July 2016, the District issued the $4,280,000 2016 General Obligation Refunding Bonds, Series A. The Series A bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2027, with interest rate yields of 0.79 to 1.93 percent. Proceeds from the sale of the bonds will be used to advance refund a portion of the District's Election of 2002 General Obligation Bonds, Series C and to pay the costs of issuing the Series A Bonds.

2016 General Obligation Refunding Bonds, Series B

In July 2016, the District issued the $18,770,000 2016 General Obligation Refunding Bonds, Series B. The Series B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2034, with interest rate yields of 0.99 to 2.82 percent. Proceeds from the sale of the bonds will be used to advance refund a portion of the District's Election of 2002 General Obligation Bonds, Series D-1 and to pay the costs of issuing the Series B Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	**Final**	**(GAAP Basis)**	**to Actual**
REVENUES				
Local Control Funding Formula	$ 196,947,239	$ 197,506,603	$ 198,239,370	$ 732,767
Federal sources	13,672,004	16,502,675	13,769,246	(2,733,429)
Other State sources	21,717,090	31,289,991	31,572,148	282,157
Other local sources	12,875,007	13,110,598	14,154,919	1,044,321
Total Revenues [1]	245,211,340	258,409,867	257,735,683	(674,184)
EXPENDITURES				
Current				
Certificated salaries	111,936,782	115,577,321	113,699,666	1,877,655
Classified salaries	33,005,472	35,206,205	34,733,787	472,418
Employee benefits	44,848,366	54,069,082	52,545,279	1,523,803
Books and supplies	12,303,848	20,962,276	14,769,773	6,192,503
Services and operating expenditures	22,918,405	25,348,656	23,090,560	2,258,096
Other outgo	(352,263)	921,481	578,646	342,835
Capital outlay	122,138	2,507,538	1,504,097	1,003,441
Total Expenditures [1]	224,782,748	254,592,559	240,921,808	13,670,751
Excess (Deficiency) of Revenues Over Expenditures	20,428,592	3,817,308	16,813,875	12,996,567
Other Financing (Uses)				
Transfers in	-	14,068,062	172,493	(13,895,569)
Transfers out	(19,010,035)	(25,523,480)	(7,899,494)	17,623,986
Net Financing (Uses)	(19,010,035)	(11,455,418)	(7,727,001)	3,728,417
NET CHANGE IN FUND BALANCE	1,418,557	(7,638,110)	9,086,874	16,724,984
Fund Balance - Beginning	72,173,589	72,173,589	72,173,589	-
Fund Balance - Ending	$ 73,592,146	$ 64,535,479	$ 81,260,463	$ 16,724,984

[1] On behalf payments of $7,305,918 are included in final budget and the actual revenues and expenditures, but have not been included in the original 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.

See accompanying note to required supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

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	8,234,319	27,993,743	19,759,424	29%	149,735,992	13%

See accompanying note to required supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.2340%	0.2068%
District's proportionate share of the net pension liability	$ 157,517,723	$ 120,833,772
State's proportionate share of the net pension liability associated with the District	83,309,511	72,964,648
Total	$ 240,827,234	$ 193,798,420
District's covered - employee payroll	$ 109,831,644	$ 102,526,352
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	143%	118%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.3255%	0.2986%
District's proportionate share of the net pension liability	$ 47,986,310	$ 33,902,574
District's covered - employee payroll	$ 36,041,869	$ 31,433,076
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 11,785,146	$ 9,753,050
Contributions in relation to the contractually required contribution	11,785,146	9,753,050
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 109,833,607	$ 109,831,644
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 4,461,903	$ 4,242,128
Contributions in relation to the contractually required contribution	4,461,903	4,242,128
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 37,662,725	$ 36,041,869
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	84.010	14329	$ 6,995,455
Title II, Part A, Improving Teacher Quality	84.367	14341	1,158,540
Title II, Part B, California Mathematics and Science Partnerships	84.366	14512	86,665
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	879,674
Title IV, Part B, 21st Century Community Centers Learning Program	84.287	14349	183,021
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	154,887
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	2,790,027
Total U.S. Department of Education			12,248,269
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	1,590,209
Passed through San Bernardino County Superintendent of Schools			
Medi-Cal Administrative Activities	93.778	10060	85,008
Subtotal Medi-Cal Assistance Program			1,675,217
Passed through CDE			
Federal Child Care, Center-Based	93.596	13609	88,248
Passed through County of San Bernardino Human Services System			
Head Start	93.600	14.646	177,615
Total U.S. Department of Health and Human Services			1,941,080
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	8,168,003
Especially Needy School Breakfast Program	10.553	13526	2,588,901
Commodities	10.555	13396	1,046,061
Summer Lunch Program	10.559	13004	180,652
Subtotal Child Nutrition Cluster			11,983,617
Child and Adult Care Food Program	10.558	13666	1,462,175
Team Nutrition	10.574	15332	3,664
Fresh Fruit and Vegetable Program	10.582	14968	65,703
Total U.S. Department of Agriculture			13,515,159
Total Expenditures of Federal Awards			$ 27,704,508

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

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

MEMBER	OFFICE	TERM EXPIRES
Elvia M. Rivas	President	2018
Alfanso Sanchez	Vice President	2018
Maureen Mendoza	Clerk	2016
Samuel L. Crowe	Member	2018
Michael C. Flores	Member	2018

ADMINISTRATION

Dr. James Q. Hammond	Superintendent
Phil Hillman	Chief Business Official
Hector Macias	Assistant Superintendent, Human Resources
Tammy Lipschultz	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, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	9,417.78	9,397.45
Fourth through sixth	7,236.96	7,217.63
Seventh and eighth	4,558.60	4,543.97
Total Regular ADA	21,213.34	21,159.05
Extended Year Special Education		
Transitional kindergarten through third	-	5.55
Fourth through sixth	-	5.20
Seventh and eighth	-	4.55
Total Extended Year Special Education	-	15.30
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	11.37	10.57
Fourth through sixth	13.46	13.34
Seventh and eighth	10.11	9.57
Total Special Education, Nonpublic, Nonsectarian Schools	34.94	33.48
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.44	0.44
Fourth through sixth	0.73	0.73
Seventh and eighth	0.40	0.40
Total Community Day School	1.57	1.57
Total ADA	21,249.85	21,209.40

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	40,470	180	N/A	Complied
Grades 1 - 3	50,400				
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				
Grade 4		56,780	180	N/A	Complied
Grade 5		56,780	180	N/A	Complied
Grade 6		56,780	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,970	180	N/A	Complied
Grade 8		56,970	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, 2016

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND [4]				
Revenues	$ 246,513,946	$ 257,637,662	$ 224,883,528	$ 204,952,543
Other sources and transfers in	147,695	14,068,061	1,039,063	2,527,869
Total Revenues and Other Sources	246,661,641	271,705,723	225,922,591	207,480,412
Expenditures	235,854,494	240,921,808	228,375,492	205,481,445
Other uses and transfers out	9,268,620	26,093,986	2,153,605	3,289,441
Total Expenditures and Other Uses	245,123,114	267,015,794	230,529,097	208,770,886
INCREASE (DECREASE) IN FUND BALANCE	$ 1,538,527	$ 4,689,929	$ (4,606,506)	$ (1,290,474)
ENDING FUND BALANCE	$ 67,035,427	$ 65,496,900	$ 60,806,971	$ 65,413,477
AVAILABLE RESERVES [2]	$ 7,353,694	$ 8,010,474	$ 6,747,307	$ 54,132,900
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.00%	3.00%	3.0%	26.6%
LONG-TERM OBLIGATIONS	N/A	$ 68,896,158	$ 68,409,197	$ 69,587,512
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	20,857	21,250	21,813	22,145

The General Fund balance has increased by $83,423 over the past two years. The fiscal year 2016-2017 budget projects a further increase of $1,538,527 (2.4 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 two of the past three years, but anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have decreased by $691,354 over the past two years.

Average daily attendance has decreased by 895 over the past two years. Additional decline of 393 ADA is anticipated during fiscal year 2016-2017.

[1] Budget 2017 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 and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] On behalf payments of $5,566,593 and $5,072,745 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015 and 2014.

[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, 2016

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 226,519	$ 5,785,468	$ 52,141	$ 2,125,169
Receivables	161,381	2,962,513	64	73,133
Due from other funds	182,723	697	-	-
Stores inventories	-	355,398	-	-
Total Assets	$ 570,623	$ 9,104,076	$ 52,205	$ 2,198,302
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 118,622	$ 208,668	$ -	$ 19,695
Due to other funds	450,431	855,736	-	-
Unearned revenue	1,570	80,837	-	-
Total Liabilities	570,623	1,145,241	-	19,695
Fund Balances:				
Nonspendable	-	391,948	-	-
Restricted	-	7,566,887	-	2,178,607
Committed	-	-	52,205	-
Total Fund Balances	-	7,958,835	52,205	2,178,607
Total Liabilities and Fund Balances	$ 570,623	$ 9,104,076	$ 52,205	$ 2,198,302

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 7,803,003	$ 4,463,633	$ 20,455,933
13,457	-	3,210,548
-	-	183,420
-	-	355,398
$ 7,816,460	$ 4,463,633	$ 24,205,299
$ -	$ -	$ 346,985
-	-	1,306,167
-	-	82,407
-	-	1,735,559
-	-	391,948
7,816,460	4,463,633	22,025,587
-	-	52,205
7,816,460	4,463,633	22,469,740
$ 7,816,460	$ 4,463,633	$ 24,205,299

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	$ 265,864	$ 13,515,159	$ -	$ -
Other State sources	2,283,566	898,510	-	-
Other local sources	2,001	286,483	470	1,623,319
Total Revenues	2,551,431	14,700,152	470	1,623,319
EXPENDITURES				
Current				
Instruction	2,205,236	-	-	-
Instruction-related activities:				
Supervision of instruction	172,654	-	-	-
School site administration	209,937	-	-	-
Pupil services:				
Food services	-	13,630,476	-	-
All other pupil services	10,542	-	-	-
Administration:				
All other administration	131,479	680,153	-	-
Plant services	1,486	719,206	(10,082)	329,722
Facility acquisition and construction	-	-	-	152,666
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	2,731,334	15,029,835	(10,082)	482,388
Excess (Deficiency) of Revenues Over Expenditures	(179,903)	(329,683)	10,552	1,140,931
Other Financing Sources (Uses)				
Transfers in	180,969	1,844	21,413	-
Transfers out	(1,844)	-	-	-
Net Financing Sources	179,125	1,844	21,413	-
NET CHANGE IN FUND BALANCES	(778)	(327,839)	31,965	1,140,931
Fund Balances - Beginning	778	8,286,674	20,240	1,037,676
Fund Balances - Ending	$ -	$ 7,958,835	$ 52,205	$ 2,178,607

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 13,781,023
-	26,862	3,208,938
42,305	3,646,972	5,601,550
42,305	3,673,834	22,591,511
-	-	2,205,236
-	-	172,654
-	-	209,937
-	-	13,630,476
-	-	10,542
-	-	811,632
-	-	1,040,332
-	-	152,666
-	1,345,000	1,345,000
-	2,242,582	2,242,582
-	3,587,582	21,821,057
42,305	86,252	770,454
374,230	-	578,456
(77,493)	-	(79,337)
296,737	-	499,119
339,042	86,252	1,269,573
7,477,418	4,377,381	21,200,167
$ 7,816,460	$ 4,463,633	$ 22,469,740

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, 2016

(Amounts in thousands)	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 13,769	5.3	$ 14,769	6.6	$ 14,759	7.2
State and local revenue included in local control funding formula	198,239	76.9	171,354	76.2	148,003	72.2
Other State revenue	31,572	12.3	24,105	10.7	24,536	12.0
Other local revenue	2,490	1.0	2,241	1.0	5,041	2.5
Tuition and transfers in	11,568	4.5	12,415	5.5	12,613	6.1
Total Revenues	257,638	100.0	224,884	100.0	204,952	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	113,700	44.1	113,373	50.4	103,552	50.5
Classified salaries	34,734	13.5	32,779	14.6	28,181	13.7
Employee benefits	52,545	20.4	47,555	21.1	40,401	19.7
Total Salaries and Benefits	200,979	78.0	193,707	86.1	172,134	83.9
Books and supplies	14,770	5.7	11,804	5.2	10,497	5.2
Contracts and operating expenses	23,090	9.0	22,536	10.0	20,217	9.8
Capital outlay	1,504	0.6	573	0.3	2,323	1.1
Other outgo	579	0.2	(245)	(0.1)	311	0.2
Total Expenditures	240,922	93.5	228,375	101.5	205,482	100.2
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,716	6.5	(3,491)	(1.5)	(530)	(0.2)
OTHER FINANCING (USES)						
Operating transfers in	14,068	5.5	1,039	0.5	2,528	1.2
Operating transfers out	(26,094)	(10.1)	(2,154)	(1.0)	(3,289)	(1.6)
Total Other Financing (Uses)	(12,026)	(4.6)	(1,115)	(0.5)	(761)	(0.4)
INCREASE (DECREASE) IN FUND BALANCE	4,690	1.9	(4,606)	(2.0)	(1,291)	(0.6)
FUND BALANCE, BEGINNING	60,807		65,413		66,704	
FUND BALANCE, ENDING	$ 65,497		$ 60,807		$ 65,413	

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, 2016

(Amounts in thousands)	Actual Results for the Years					
	2015-2016		2014-2015		2013-2014	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	$ 13,515	92.0	$ 12,582	91.9	$ 12,357	88.1
State meal program	899	6.1	877	6.4	838	6.0
Food sales	221	1.5	196	1.4	244	1.7
Other	65	0.4	37	0.3	598	4.2
Total Revenues	14,700	100.0	13,692	100.0	14,037	100.0
EXPENDITURES						
Salaries and employee benefits	6,441	43.8	6,278	45.9	5,690	40.5
Food	6,795	46.2	6,369	46.5	6,447	45.9
Supplies	592	4.0	577	4.2	991	7.1
Other	1,202	8.2	1,123	8.2	2,278	16.2
Total Expenditures	15,030	102.2	14,347	104.8	15,406	109.7
INCREASE IN FUND BALANCE	(330)	(2.2)	(655)	(4.8)	(1,369)	(9.7)
OTHER FINANCING SOURCES						
Operating transfers in	2	0.0	137	1.0	-	0.0
INCREASE IN FUND BALANCE	(328)	(2.2)	(518)	(3.8)	(1,369)	(9.7)
FUND BALANCE, BEGINNING	8,287		8,805		10,174	
FUND BALANCE, ENDING	$ 7,959		$ 8,287		$ 8,805	

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2015-2016		2014-2015		2013-2014	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	249,282	8.8	263,216	9.1	263,077	8.8
Reduced price	237,173	8.3	263,783	9.1	264,005	8.8
Free	2,356,680	82.9	2,373,848	81.8	2,467,862	82.4
Total Lunches	2,843,135	100.0	2,900,847	100.0	2,994,944	100.0
BREAKFAST						
Paid	134,691	9.4	115,471	9.4	103,093	9.0
Reduced price	101,522	7.1	91,540	7.5	81,256	7.1
Free	1,195,110	83.5	1,016,052	83.1	965,320	83.9
Total Breakfast	1,431,323	100.0	1,223,063	100.0	1,149,669	100.0

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 primarily of Medi-Cal Billing Options funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 27,550,269
Medi-Cal Billing Option	93.778	154,239
Total Schedule of Expenditures of Federal Awards		$ 27,704,508

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.

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.

INDEPENDENT AUDITOR'S REPORTS

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, 2016, 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 2, 2016.

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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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 2, 2016.

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, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2016

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

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 requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2016

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

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 *2015-2016 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, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2015-2016 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, 2016.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
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
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	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

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

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 during the current year; 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 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 offer an Independent Study – Course Based Program; therefore, we did not perform any procedures related the Independent Study – Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A - Basic Grants Low Income and Neglected
84.367	Title II, Part A, Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs:	$ 831,135
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

.

Governing Board
Ontario-Montclair School District
Ontario, California

In planning and performing our audit of the financial statements of Ontario-Montclair School District, (the District) for the year ended June 30, 2016, 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 2, 2016 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Lincoln Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that five of five deposit batches tested were not deposited in a timely manner. Delay in deposit ranged from approximately 112 to 188 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 ASB 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.

Central Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that the deposit batch tested was not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 63 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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Recommendation

The ASB 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 cash count sheet. The deposit batch tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

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 receipts 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 cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Observation

Perpetual inventory is not calculated for PE clothes; therefore the sales are not reconciled to the periodic inventory counts to ensure there is no loss or theft.

Recommendation

The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at the end of each close out. The starting point will be from a physical inventory count, and from there, any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory count should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site. In addition, the inventory report should be compared to the corresponding time period's sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Vina Danks Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that all 159 receipts 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 sites which can hinder the safeguarding of ASB assets. In addition, it was noted that the PE department does not submit cash to the ASB bookkeeper to deposit into the ASB bank account.

Recommendation

The ASB 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 cash count sheet. Eight of 60 receipts tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

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 receipts 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 cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Observation

Based on the review of the disbursement procedures, it was noted that two of nine disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendation

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

Governing Board
Ontario-Montclair School District

Observation

Perpetual inventory is not calculated for PE clothes; therefore the sales are not reconciled to the periodic inventory counts to ensure there is no loss or theft.

Recommendation

The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory count should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site. In addition, the inventory report should be compared to the corresponding time period's sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2016