ONTARIO-MONTCLAIR SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

ONTARIO-MONTCLAIR SCHOOL DISTRICT

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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, 2017, 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 *2016-2017 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.

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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, 2017, and the respective changes in financial position and 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 14, budgetary comparison schedule on pages 73, schedule of other postemployment benefits funding progress on page 74, schedule of the District's proportionate share of net pension liability on page 75, and the schedule of District contributions on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario-Montclair School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards,[8] 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 (Uniform Guidance)* and the other supplementary information as listed in 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 11, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ontario-Montclair School District's 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 11, 2017
(except for Note 17, as to which the date is January 10, 2018.)

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Ontario-Montclair
School District

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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, 2017, with comparative information from the fiscal year ending June 30, 2016. 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 Funds* 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.

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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 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 $79,250,595 for the fiscal year ended June 30, 2017. Of this amount, $(128,340,806) 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	
	2017	2016
Assets		
Current and other assets	$ 220,948,931	$ 160,143,533
Capital assets	207,714,809	208,171,343
Total Assets	428,663,740	368,314,876
Deferred Outflows of Resources	64,240,359	60,818,052
Liabilities		
Current liabilities	25,483,264	29,212,626
Long-term obligations	129,798,229	68,896,158
Aggregate net pension liability	247,835,456	205,504,033
Total Liabilities	403,116,949	303,612,817
Deferred Inflows of Resources	10,536,555	40,356,077
Net Position		
Net investment in capital assets	136,325,389	159,811,187
Restricted	71,266,012	27,614,999
Unrestricted (deficit)	(128,340,806)	(102,262,152)
Total Net Position	$ 79,250,595	$ 85,164,034

The $(128,340,806) 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 16. 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 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services	$ 1,012,811	$ 1,520,907
Operating grants and contributions	58,131,872	54,633,537
Capital grants and contributions	66,985	42,305
General revenues:		
Federal and State aid not restricted	195,839,282	193,781,938
Property taxes	24,091,427	24,102,212
Other general revenues	5,056,475	5,740,271
Total Revenues	284,198,852	279,821,170
Expenses		
Instruction-related	213,363,541	204,234,920
Pupil services	33,688,567	32,210,516
Administration	15,141,873	11,946,921
Plant services	21,630,537	21,524,092
Other	6,287,773	4,881,637
Total Expenses	290,112,291	274,798,086
Change in Net Position	$ (5,913,439)	$ 5,023,084

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $290,112,291. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $24,091,427 because the cost was paid by those who benefited from the programs $(1,012,811) or by other governments and organizations who subsidized certain programs with grants and contributions $(58,198,857). We paid for the remaining "public benefit" portion of our governmental activities with $200,895,757 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

	2017		2016	
	Total Cost of Services	Net Cost/ (Revenues) of Services	Total Cost of Services	Net Cost/ (Revenues) of Services
Instruction and other related	$ 193,304,772	$ 158,543,566	$ 185,858,553	$ 153,843,741
School administration	20,058,769	18,050,421	18,376,367	16,630,851
Pupil transportation	4,210,207	4,140,520	4,133,565	4,064,547
Food services	15,074,988	1,805,949	14,545,016	2,257,255
Other student support services	14,403,372	9,932,858	13,531,935	8,800,418
Administration	15,141,873	12,799,932	11,946,921	9,849,745
Plant services	21,630,537	20,793,077	21,524,092	20,385,762
Other	6,287,773	4,834,300	4,881,637	2,769,018
Total	$ 290,112,291	$ 230,900,623	$ 274,798,086	$ 218,601,337

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $182,348,587, which is an increase of $64,660,560 from last year (Table 4).

Table 4

		Balances and Activity		
	July 1, 2016	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2017
General Fund	$ 81,260,463	$ 260,904,870	$ 255,637,800	$ 86,527,533
Building Fund	-	35,040,768	787,130	34,253,638
Debt Service Fund	-	21,312,952	624,167	20,688,785
Child Development Fund	-	3,098,097	3,098,097	-
Cafeteria Fund	7,958,835	14,979,638	15,714,194	7,224,279
Deferred Maintenance Fund	52,205	426	1,700	50,931
Capital Facilities Fund	2,178,607	1,195,795	528,321	2,846,081
County School Facilities Fund	7,816,460	67,290	-	7,883,750
Special Reserve Fund for Capital Outlay Projects	13,957,824	4,385,718	2,851,073	15,492,469
Bond Interest and Redemption Fund	4,463,633	11,639,933	8,722,445	7,381,121
Total	**$ 117,688,027**	**$ 352,625,487**	**$ 287,964,927**	**$ 182,348,587**

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, 2017. (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 73.)

Revenue and expenditure revisions were made to the 2016-2017 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, 2017, the District had a carrying value of $207,714,809 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 $456,534, or 0.2 percent, from last year.

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	$ 13,234,334	$ 10,414,877
Buildings and improvements	191,071,880	194,438,050
Equipment	3,408,595	3,318,416
Total	$ 207,714,809	$ 208,171,343

Several capital projects are planned for the 2016-2017 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 $129,798,229 in long-term obligations outstanding versus $68,896,158 last year, resulting in an increase of $60,902,071 from last year. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	$ 110,701,711	$ 52,834,951
Compensated absences	2,743,170	2,359,079
Other postemployment benefits	15,589,210	12,721,200
Claims liability	611,119	741,744
SELF workers' compensation assessment	153,019	239,184
Total	$ 129,798,229	$ 68,896,158

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 $247,835,456 as a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 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 2017-2018:
    a. 2016-2017: 20,903 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 $208.8 million:
    a. Cost of Living Adjustment (COLA) of 1.56 percent.
    b. GAP funding rate of 43.97 percent.
    c. A single year unduplicated pupil percentage of 86.50, the count of pupils who are English Learner students, Free or Reduced Price Meal students, and/or Foster Youth.
    d. Local property taxes of $17,102,856.

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 2017-2018 Budget and the incorporation of the estimated effects of declining enrollment, subsequent year expenditure reductions are planned for the General Fund, which include 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 2017-2018 Ending Fund Balance is based on the District's 2016-2017 General Fund Estimated Actuals Report and 2017-2018 General Fund Adopted Budget Report. This balance is estimated to be $74.1 million, which includes but not limited to, Nonspendable balances of $320,544, Committed balances of $39.2 million, Restricted balances of $4.5 million, and an Economic Uncertainties balance of $7.7 million.

E. Multi-Year Projection

In order to obtain a positive certification on State required Interim Financial Reports, the District must prepare and the District Governing Board of Trustees approve, a Multi-Year Projection that includes a solvent financial picture for the current fiscal year (2017-2018) and two subsequent fiscal years (2018-2019 and 2019-2020).

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, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 202,769,671
Receivables	9,412,756
Prepaid expenses	13,988
Restricted assets - pension trust	8,259,640
Stores inventories	492,876
Capital assets	
Land and construction in progress	13,234,334
Other capital assets	326,744,158
Less accumulated depreciation	(132,263,683)
Total Capital Assets	207,714,809
Total Assets	428,663,740
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	830,557
Deferred outflows of resources related to pensions	63,409,802
Total Deferred Outflows of Resources	64,240,359
LIABILITIES	
Accounts payable	23,752,973
Accrued interest payable	1,590,827
Unearned revenue	139,464
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,970,314
Noncurrent portion of long-term obligations other than pensions	127,827,915
Total Long-Term Obligations	129,798,229
Aggregate net pension liability	247,835,456
Total Liabilities	403,116,949
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	10,536,555
NET POSITION	
Net investment in capital assets	136,325,389
Restricted for:	
Debt service	26,479,079
Capital projects	10,729,831
Educational programs	4,998,914
Other activities	20,798,548
Other restrictions - pension trust	8,259,640
Unrestricted (deficit)	(128,340,806)
Total Net Position	$ 79,250,595

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 185,570,987	$ 7,661	$ 32,843,704	$ 66,985	$ (152,652,637)
Instruction-related activities:					
Supervision of instruction	6,479,381	17,264	1,585,179	-	(4,876,938)
Instructional library, media, and technology	1,254,404	-	240,413	-	(1,013,991)
School site administration	20,058,769	2,839	2,005,509	-	(18,050,421)
Pupil services:					
Home-to-school transportation	4,210,207	-	69,687	-	(4,140,520)
Food services	15,074,988	217,710	13,051,329	-	(1,805,949)
All other pupil services	14,403,372	72,841	4,397,673	-	(9,932,858)
Administration:					
Data processing	5,006,150	-	374	-	(5,005,776)
All other administration	10,135,723	19,122	2,322,445	-	(7,794,156)
Plant services	21,630,537	16,924	820,536	-	(20,793,077)
Ancillary services	643,960	-	23,766	-	(620,194)
Enterprise services	5,474	-	-	-	(5,474)
Interest on long-term obligations	4,156,774	-	-	-	(4,156,774)
Other outgo	1,481,565	658,450	771,257	-	(51,858)
Total Governmental Activities	$ 290,112,291	$ 1,012,811	$ 58,131,872	$ 66,985	(230,900,623)

General Revenues and Subventions:	
Property taxes, levied for general purposes	19,738,835
Property taxes, levied for debt service	3,472,560
Taxes levied for other specific purposes	880,032
Federal and State aid not restricted to specific purposes	195,839,282
Interest and investment earnings	822,339
Miscellaneous	4,234,136
Total General Revenues and Subventions	224,987,184
Change in Net Position	(5,913,439)
Net Position - Beginning	85,164,034
Net Position - Ending	$ 79,250,595

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 94,588,519	$ 34,677,138	$ 20,688,785	$ 38,506,770	$ 188,461,212
Receivables	7,418,850	40,721	-	1,897,116	9,356,687
Due from other funds	1,595,857	-	-	2,796,087	4,391,944
Prepaid expenditures	12,410	-	-	1,578	13,988
Restricted assets - pension trust	8,259,640	-	-	-	8,259,640
Stores inventories	161,504	-	-	331,372	492,876
Total Assets	$ 112,036,780	$ 34,717,859	$ 20,688,785	$ 43,532,923	$ 210,976,347
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 21,908,088	$ 464,221	$ -	$ 1,000,589	$ 23,372,898
Due to other funds	3,530,862	-	-	1,584,536	5,115,398
Unearned revenue	70,297	-	-	69,167	139,464
Total Liabilities	25,509,247	464,221	-	2,654,292	28,627,760
Fund Balances:					
Nonspendable	248,914	-	-	369,500	618,414
Restricted	13,258,554	34,253,638	20,688,785	24,965,731	93,166,708
Committed	-	-	-	50,931	50,931
Assigned	65,038,287	-	-	15,492,469	80,530,756
Unassigned	7,981,778	-	-	-	7,981,778
Total Fund Balances	86,527,533	34,253,638	20,688,785	40,878,631	182,348,587
Total Liabilities and Fund Balances	$ 112,036,780	$ 34,717,859	$ 20,688,785	$ 43,532,923	$ 210,976,347

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, 2017

Total Fund Balance - Governmental Funds		**$ 182,348,587**
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	$ 339,978,492	
Accumulated depreciation is	(132,263,683)	
Net Capital Assets		207,714,809
This represents the deferred charge on refunding as a result of the refunding of bonds. The difference between the amounts that were sent to the escrow agent for the repayment of the old debt and the actual remaining debt obligation will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This represents the unamortized balance as of year-end.		830,557
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,590,827)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		13,943,769
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	19,749,853	
Net change in proportionate share of net pension liability	16,514,441	
Difference between projected and actual earnings on pension plan investments	24,448,226	
Differences between expected and actual experience in the measurement of the total pension liability	2,697,282	
Total Deferred Outflows of Resources Related to Pensions		63,409,802
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(4,136,548)	
Differences between expected and actual experience in the measurement of the total pension liability	(4,515,839)	
Changes in assumptions	(1,884,168)	
Total Deferred Inflows of Resources Related to Pensions		(10,536,555)

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, 2017

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (247,835,456)
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	$ (100,210,067)	
Premium on general obligation bonds	(6,263,548)	
Compensated absences (vacations)	(2,743,170)	
Other postemployment benefits (OPEB)	(15,589,210)	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	(4,228,096)	
Total Long-Term Obligations		(129,034,091)
Total Net Position - Governmental Activities		**$ 79,250,595**

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, 2017

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local control funding formula	$ 206,802,957	$ -	$ -	$ -	$ 206,802,957
Federal sources	14,586,829	-	-	13,967,969	28,554,798
Other state sources	24,882,964	-	-	3,507,626	28,390,590
Other local sources	13,905,602	40,768	152,722	5,636,085	19,735,177
Total Revenues	260,178,352	40,768	152,722	23,111,680	283,483,522
EXPENDITURES					
Current					
Instruction	166,931,775	-	-	2,460,527	169,392,302
Instruction-related activities:					
Supervision of instruction	5,936,746	-	-	240,956	6,177,702
Instructional library, media, and technology	1,183,412	-	-	-	1,183,412
School site administration	18,779,986	-	-	159,021	18,939,007
Pupil services:					
Home-to-school transportation	4,356,017	-	-	-	4,356,017
Food services	1,421	-	-	14,030,516	14,031,937
All other pupil services	13,601,259	-	-	17,496	13,618,755
Administration:					
Data processing	4,835,666	-	-	-	4,835,666
All other administration	8,751,431	-	-	899,859	9,651,290
Plant services	20,924,303	-	-	809,693	21,733,996
Facility acquisition and construction	2,635,533	597,130	-	2,847,357	6,080,020
Ancillary services	616,780	-	-	-	616,780
Other outgo	1,481,565	-	-	-	1,481,565
Debt service					
Principal	-	-	-	1,510,000	1,510,000
Interest and other	-	190,000	624,167	2,337,243	3,151,410
Total Expenditures	250,035,894	787,130	624,167	25,312,668	276,759,859
Excess (Deficiency) of Revenues Over Expenditures	10,142,458	(746,362)	(471,445)	(2,200,988)	6,723,663
Other Financing Sources (Uses)					
Transfers in	726,518	-	-	4,603,348	5,329,866
Other sources - proceeds from issuance of debt	-	35,000,000	21,160,230	7,651,869	63,812,099
Transfers out	(5,601,906)	-	-	(727,960)	(6,329,866)
Other uses - payment to refunded bond escrow agent	-	-	-	(4,875,202)	(4,875,202)
Net Financing Sources (Uses)	(4,875,388)	35,000,000	21,160,230	6,652,055	57,936,897
NET CHANGE IN FUND BALANCES	5,267,070	34,253,638	20,688,785	4,451,067	64,660,560
Fund Balances - Beginning	81,260,463	-	-	36,427,564	117,688,027
Fund Balances - Ending	$ 86,527,533	$ 34,253,638	$ 20,688,785	$ 40,878,631	$ 182,348,587

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, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ 64,660,560**
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	$ (7,702,463)	
Capital outlays	7,256,431	
Net Expense Adjustment		(446,032)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(10,502)
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.		(2,868,010)
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 $384,091.		(384,091)
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.		(9,189,638)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:		
Sale of general obligation refunding bonds		(58,050,000)
Governmental funds report the effect of premiums and deferred charges on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount represents the net effect of these items resulting from the issuance of bonds in the current year.		
Premium on issuance	(5,762,099)	
Deferred charges on refunding	175,202	
Combined Adjustment		(5,586,897)

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

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.		$ 6,210,000
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	$ 389,316	
Amortization of deferred charges on refunding	(75,158)	
Combined Adjustment		314,158
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 increased by $665,545, and second, $653,977 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,319,522)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		756,535
Change in Net Position of Governmental Activities		**$ (5,913,439)**

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 14,308,459
Receivables	56,069
Due from other funds	734,819
Total Current Assets	15,099,347
LIABILITIES	
Current Liabilities	
Accounts payable	380,075
Due to other funds	11,365
Current portion of claims liability	280,314
Total Current Liabilities	671,754
Noncurrent Liabilities	
Noncurrent portion of claims liability and SELF assessment	483,824
NET POSITION	
Restricted	$ 13,943,769

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, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 3,944,988
OPERATING EXPENSES	
Payroll costs	84,734
Supplies and materials	8,703
Facility rental	11,604
Other operating cost	4,205,543
Total Operating Expenses	4,310,584
Operating Loss	(365,596)
NON-OPERATING REVENUES	
Interest income	122,131
Transfers in	1,000,000
Total Non-Operating Revenues	1,122,131
Change in Net Position	756,535
Total Net Position - Beginning	13,187,234
Total Net Position - Ending	$ 13,943,769

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, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 4,999,223
Cash payments to employees for services	(84,734)
Other operating cash payments	(20,307)
Cash payments for claims	(4,146,133)
Net Cash Provided by Operating Activities	748,049
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	1,000,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	104,798
Net Increase in Cash and Cash Equivalents	1,852,847
Cash and Cash Equivalents - Beginning	12,455,612
Cash and Cash Equivalents - Ending	$ 14,308,459
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (365,596)
Changes in assets and liabilities:	
Receivables	(13,073)
Due from other funds	1,061,210
Accounts payable	276,200
Due to other funds	6,098
Claims liability and SELF assessment	(216,790)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 748,049

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	331,256
Stores inventories		66,284
Total Assets	$	397,540
LIABILITIES		
Due to student groups	$	397,540

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

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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 fund balance of $15,989,330, and a decrease in revenues and other financing sources, and expenditures and other financing uses of $2,274,232 and $2,499,999, respectively.

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

Debt Service Fund The Debt Service Fund is used for the accumulation of resources for an the retirement of principal and interest on general long-term debt.

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.).

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).

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, the internal service fund, 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, 2017, 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 (Expenses)

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 and expenses in the fiduciary 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 charges on the refunding of general obligation bonds, and pension related items.

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.

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, 2017, 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 $71,266,012 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 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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

New Accounting Pronouncements

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 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

- Reporting amounts previously reported as goodwill and "negative" goodwill

- Classifying real estate held by insurance entities

- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$ 202,769,671
Fiduciary funds	331,256
Total Deposits and Investments	$ 203,100,927

Deposits and investments as of June 30, 2017, consisted of the following:

Cash on hand and in banks	$ 606,455
Cash in revolving	111,550
Investments	202,382,922
Total Deposits and Investments	$ 203,100,927

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 Treasury 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 Treasury Investment Pool	$ 181,695,035	341
U.S. Treasury Notes	203,069	7/31/2017
U.S. Treasury Notes	204,201	1/31/2018
U.S. Treasury Notes	206,660	7/31/2018
U.S. Treasury Notes	209,695	1/31/2019
U.S. Treasury Notes	19,864,262	7/31/2019
Total	$ 202,382,922	

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 and US Treasury Notes were rated by Fitch Ratings as AAAf/S1 and AAAm, respectively.

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, 2017, 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 Treasury Investment Pool 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, 2017:

Investment Type	Reported Amount	Level 1 Inputs	Uncategorized
San Bernardino County Treasury Investment Pool	$ 181,695,035	$ -	$ 181,695,035
U.S. Treasury Notes	203,069	203,069	-
U.S. Treasury Notes	204,201	204,201	-
U.S. Treasury Notes	206,660	206,660	-
U.S. Treasury Notes	209,695	209,695	-
U.S. Treasury Notes	19,864,262	19,864,262	-
Total	$ 202,382,922	$ 20,687,887	$ 181,695,035

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 4,194,632	$ -	$ 1,638,067	$ -	$ 5,832,699
State Government					
Categorical aid	580,823	-	148,006	-	728,829
Special education	1,177,971	-	-	-	1,177,971
Lottery	989,635	-	-	-	989,635
Local Government					
Interest	278,773	40,721	89,036	42,996	451,526
Other Local Sources					
Other	197,016	-	22,007	13,073	232,096
Total	$ 7,418,850	$ 40,721	$ 1,897,116	$ 56,069	$ 9,412,756

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 6,160,798	$ -	$ -	$ 6,160,798
Construction in progress	4,254,079	5,399,679	2,580,222	7,073,536
Total Capital Assets Not Being Depreciated	10,414,877	5,399,679	2,580,222	13,234,334
Capital Assets Being Depreciated				
Buildings and improvements	304,617,487	3,617,603	-	308,235,090
Furniture and equipment	18,619,563	819,371	929,866	18,509,068
Total Capital Assets Being Depreciated	323,237,050	4,436,974	929,866	326,744,158
Total Capital Assets	333,651,927	9,836,653	3,510,088	339,978,492
Less Accumulated Depreciation				
Buildings and improvements	110,179,437	6,983,773	-	117,163,210
Furniture and equipment	15,301,147	718,690	919,364	15,100,473
Total Accumulated Depreciation	125,480,584	7,702,463	919,364	132,263,683
Governmental Activities Capital Assets, Net	$ 208,171,343	$ 2,134,190	$ 2,590,724	$ 207,714,809

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 6,995,377
Food service	707,086
Total Depreciation	$ 7,702,463

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, 2017, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 1,584,492	$ 11,365	$ 1,595,857
Non-Major Governmental Funds	2,796,043	44	-	2,796,087
Internal Service Fund	734,819	-	-	734,819
Total	$ 3,530,862	$ 1,584,536	$ 11,365	$ 5,126,763

A balance of $556,306 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 $1,001,180 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of $1,974 is due to the General Fund from the Capital Facilties Non-Major Governmental Fund for the reimbursement of capital outlay projects.

A balance of $25,032 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for the reimbursement of capital outlay projects.

A balance of $11,365 is due to the General Fund from the Internal Service Fund for the reimbursement of operating costs.

A balance of $305,428 is due to the Child Development Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of $7,161 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of $2,483,454 is due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the General Fund for capital project reserve.

A balance of $447,229 is due to the Internal Service Fund from the General Fund for contribution for other postemployment benefits.

A balance of $287,590 is due to the Internal Service Fund from the General Fund for contribution for workers' compensation insurance.

A balance of $44 is due to the Cafeteria Non-Major Governmental Fund from the Child Development Non-Major Governmental Fund for the reimbursement of operating costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfers From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 726,518	$ 726,518
Non-Major Governmental Funds	4,601,906	1,442	4,603,348
Internal Service Fund	1,000,000	-	1,000,000
Total	$ 5,601,906	$ 727,960	$ 6,329,866

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for capital project reserves and RDA funds.	$ 4,296,583
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating costs.	305,223
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating costs.	100
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 General Fund for operating costs.	51,604
The Child Development Non-Major Governmental Fund transferred to the Cafeteria Non-Major Governmental Fund for operating costs.	1,442
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the General Fund for project costs.	674,914
	$ 6,329,866

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 13,727,482	$ -	$ 219,282	$ -	$ 13,946,764
LCFF apportionment	2,627,001	-	-	2,609	2,629,610
Supplies	1,923,652	-	59,386	377,466	2,360,504
Services	2,117,454	136,318	111,218	-	2,364,990
Capital outlay	607,516	327,903	609,106	-	1,544,525
Due to SELPA	538,557	-	-	-	538,557
Other vendor payables	366,426	-	1,597	-	368,023
Total	$ 21,908,088	$ 464,221	$ 1,000,589	$ 380,075	$ 23,752,973

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 70,297	$ -	$ 70,297
Other local	-	69,167	69,167
Total	$ 70,297	$ 69,167	$ 139,464

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, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 51,944,186	$ 58,703,977	$ 6,210,000	$ 104,438,163	$ 1,690,000
Unamortized premium	890,765	5,762,099	389,316	6,263,548	-
Compensated absences	2,359,079	384,091	-	2,743,170	-
Other postemployment benefits	12,721,200	4,672,350	1,804,340	15,589,210	-
Claims liability	741,744	149,689	280,314	611,119	280,314
SELF workers' compensation assessment	239,184	-	86,165	153,019	-
	$ 68,896,158	$ 69,672,206	$ 8,770,135	$ 129,798,229	$ 1,970,314

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	July 01, 2016	Issued	Accreted Interest	Redeemed	June 30, 2017
Series B	2006	8/1/2030	4.50-5.00%	$ 9,999,646	$ 1,593,751	$ -	$ 130,044	$ -	$ 1,723,795
Series C	2008	8/1/2032	4.50-8.90%	7,999,994	7,349,741	-	137,617	4,950,000	2,537,358
Series D	2009	8/1/2030	2.00-6.56%	4,100,263	5,345,694	-	386,316	330,000	5,402,010
Series D-1	2009	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	18,450,000	-	-	930,000	17,520,000
2016 Refunding Series A	2016	8/1/2027	3.00-5.00%	4,280,000	-	4,280,000	-	-	4,280,000
2016 Refunding Series B	2016	8/1/2034	2.50-5.00%	18,770,000	-	18,770,000	-	-	18,770,000
Series 2017A	2017	8/1/2046	2.00-5.00%	35,000,000	-	35,000,000	-	-	35,000,000
					$ 51,944,186	$ 58,050,000	$ 653,977	$ 6,210,000	$ 104,438,163

2002 General Obligation Bonds, Series B

In July 2006, the District issued the $9,999,646 Election of 2002 General Obligation Bonds, Series B. The Series B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $3,840,354, and an aggregate principal debt service balance of $13,840,000. The bonds have a final maturity of August 1, 2030, with interest rates of 4.50 to 5.00 percent. The net proceeds of $9,999,646 (representing the principal amount of $9,999,646 and premium of $942,149, less cost of issuance of $942,149) from the sale of the bonds were used to fund the construction, renovation and repair of certain District facilities. In November 2013, proceeds from the 2013 General Obligation Refunding Bonds were used to refund a substantial portion of the debt obligations for the 2002 General Obligation Bonds, Series B. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series B was $1,723,795 and unamortized premium on issuance was $114,824.

2002 General Obligation Bonds, Series C

In February 2008, the District issued the $7,999,994 Election of 2002 General Obligation Bonds, Series C. The Series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $4,290,006, and an aggregate principal debt service balance of $12,290,000. The bonds have a final maturity of August 1, 2032, with interest rates of 4.50 to 8.90 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation, repair and equipping of certain District facilities, and to pay the costs of issuing the bonds. In July 2016, proceeds from the 2016 General Obligation Refunding Bonds, Series A were used to refund a substantial portion of the debt obligations for the 2002 General Obligation Bonds, Series C. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series C was $2,537,358.

2002 General Obligation Bonds, Series D

In November 2009, the District issued the $4,100,263 Election of 2002 General Obligation Bonds, Series D. The Series D bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $9,324,737, and an aggregate principal debt service balance of $13,425,000. The bonds have a final maturity of August 1, 2030, with interest rates of 2.00 to 6.56 percent. The net proceeds of $4,100,263 (representing the principal amount of $4,100,263 and premium of $1,150,662, less cost of issuance of $1,150,662) from the sale of the bonds were used to fund the construction, repair and equipping of certain District facilities, and to pay the costs of issuing the bonds. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series D was $5,402,010 and unamortized premium on issuance was $712,315.

2002 General Obligation Bonds, Series D-1

In November 2009, the District issued the $19,205,000 Election of 2002 General Obligation Bonds, Series D-1. The Series D-1 bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2034, with interest rates of 6.13 to 6.68 percent. Proceeds from the sale of the bonds were used to fund the construction, repair and equipping of certain District facilities, and to pay the costs of issuing the bonds. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series D-1 was $19,205,000.

2013 General Obligation Refunding Bonds

In November 2013, the District issued the $19,835,000 2013 General Obligation Refunding Bonds. The 2013 General Obligation Refunding Bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2027, with an interest rate of 3.25 percent. The net proceeds of $19,733,463 (representing the principal amount of $19,835,000 less cost of issuance of $101,537) from the sale of the bonds were used to provide refunding of $18,845,000 in current interest bonds associated with the District's 2002 General Obligation Bonds, Series A and 20002 General Obligation Bonds, Series B that were issued in the amount of $18,350,000 and $9,999,646, respectively. At June 30, 2017, the principal balance outstanding of the 2013 General Obligation Refunding Bonds was $17,520,000 and deferred charge on refunding was $671,282.

2016 General Obligation Refunding Bonds, Series A

In July 2016, the District issued the $4,280,000 2016 General Obligation Bonds, Series A. The 2016 General Obligation Refunding Bonds, Series A were issued as current interest bonds. The bonds have a final maturity of August 1, 2027, with interest rates of 3.00 to 5.00 percent. The net proceeds of $4,875,202 (representing the principal amount of $4,280,000 and premium of $661,184, less cost of issuance of $65,982) from the sale of the bonds were used to provide advance refunding of $4,700,000 in current interest bonds associated with the District's 2002 General Obligation Bonds, Series C that were issued in the amount of $7,999,994. The refunding resulted in a cumulative cash flow saving of $668,847 over the life of the new debt and an economic gain of $586,016 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.26 percent. At June 30, 2017, the principal balance outstanding of the 2016 General Obligation Refunding Bonds, Series A was $4,280,000 and unamortized premium on issuance and deferred charge on refunding were $601,076 and $159,275, respectively.

2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding)

In July 2016, the District issued the $18,770,000 2016 General Obligation Bonds, Series B (2019 Crossover Refunding). The 2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding) were issued as current interest bonds. The bonds have a final maturity of August 1, 2034, with interest rate yields of 2.50 to 5.00 percent. The net proceeds of $20,880,986 (representing the principal amount of $18,770,000 and premium of $2,390,230, less cost of issuance of $279,244) from the sale of the bonds will used to provide advance refunding, on a crossover basis, of $19,205,000 in current interest bonds associated with the District's 2002 General Obligation Bonds, Series D-1 that were issued in the amount of $19,205,000. The 2002 General Obligation Bonds, Series D-1 will be refunded on the crossover date, August 1, 2019. The refunding resulted in a cumulative cash flow saving of $2,820,489 over the life of the new debt and an economic gain of $2,226,038 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.26 percent. At June 30, 2017, the principal balance outstanding of the 2016 General Obligation Refunding Bonds, Series B was $18,770,000 and unamortized premium on issuance was $2,257,439.

2016 General Obligation Bonds, Series 2017A

In March 2017, the District issued the $35,000,000 Election of 2016 General Obligation Bonds, Series 2017A. The Series 2017A bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2046, with interest rates of 2.00 to 5.00 percent. The net proceeds of $37,520,685 (representing the principal amount of $35,000,000 and premium of $2,710,685, less cost of issuance of $91,000) from the sale of the bonds will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuance of the bonds. At June 30, 2017, the principal balance outstanding of the 2016 General Obligation Bonds, Series 2017A was $35,000,000 and unamortized premium on issuance was $2,577,894.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2047 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest	Total
2018	$ 1,690,000	$ 4,050,828	$ -	$ 5,740,828
2019	5,303,687	4,226,520	21,313	9,551,520
2020	5,210,108	4,079,045	49,892	9,339,045
2021	5,615,000	3,874,087	-	9,489,087
2022	3,145,000	3,692,759	-	6,837,759
2023-2027	18,599,428	16,340,544	950,572	35,890,544
2028-2032	19,322,530	13,989,192	11,012,470	44,324,192
2033-2037	26,647,410	7,118,509	1,022,590	34,788,509
2038-2042	7,140,000	3,901,200	-	11,041,200
2043-2047	11,765,000	1,580,125	-	13,345,125
Total	$ 104,438,163	$ 62,852,809	$ 13,056,837	$ 180,347,809

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $2,743,170.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $4,619,296, and contributions made by the District during the year were $1,804,340. Interest on the net OPEB obligation and adjustments to the annual required contribution were $636,060 and $(583,006), respectively, which resulted in an increase to the net OPEB obligation of $2,868,010. As of June 30, 2017, the net OPEB obligation was $15,589,210. 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, 2017, totaling $611,119, 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, 2017, the District's outstanding obligation for their pro-rata share of equity assessed was $153,019.

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 75,000	$ -	$ -	$ 36,550	$ 111,550
Stores inventories	161,504	-	-	331,372	492,876
Prepaid expenditures	12,410	-	-	1,578	13,988
Total Nonspendable	248,914	-	-	369,500	618,414
Restricted					
Legally restricted programs	4,998,914	-	-	6,854,779	11,853,693
Other restrictions - pension trust	8,259,640	-	-	-	8,259,640
Capital projects	-	34,253,638	-	10,729,831	44,983,469
Debt services	-	-	20,688,785	7,381,121	28,069,906
Total Restricted	13,258,554	34,253,638	20,688,785	24,965,731	93,166,708
Committed					
Deferred maintenance program	-	-	-	50,931	50,931
Assigned					
Board policy reserve	35,964,966	-	-	-	35,964,966
Targeted program carryover	220,651	-	-	-	220,651
CSEA professional growth	61,052	-	-	-	61,052
ACSA/CASBO	50,000	-	-	-	50,000
Family collaborative audio	55,236	-	-	-	55,236
Site discretionary	2,664,309	-	-	-	2,664,309
Site donations	167,202	-	-	-	167,202
Budget stabilization	9,865,541	-	-	-	9,865,541
Deferred maintenance	6,524	-	-	-	6,524
Retiree insurance plan	961,678	-	-	-	961,678
Pension reserve	2,281,488	-	-	-	2,281,488
Common core textbook adoption reserve	4,737,048	-	-	-	4,737,048
Post employment benefits liability	8,001,718	-	-	-	8,001,718
Capital projects	-	-	-	15,492,469	15,492,469
Other	874	-	-	-	874
Total Assigned	65,038,287	-	-	15,492,469	80,530,756
Unassigned					
Reserve for economic uncertainties	7,981,778	-	-	-	7,981,778
Total	$ 86,527,533	$ 34,253,638	$ 20,688,785	$ 40,878,631	$182,348,587

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 193 retirees currently receiving benefits, 13 terminated Plan members entitled to but not yet receiving benefits, and 2,153 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 2016-2017, the District contributed $1,804,340 to the Plan, all of which was used for current premiums (approximately 90 percent of total premiums). Plan members receiving benefits contributed $192,299, 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	$ 4,619,296
Interest on net OPEB obligation	636,060
Adjustment to annual required contribution	(583,006)
Annual OPEB cost (expense)	4,672,350
Contributions made	(1,804,340)
Increase in net OPEB obligation	2,868,010
Net OPEB obligation, beginning of year	12,721,200
Net OPEB obligation, end of year	$ 15,589,210

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
2015	$ 3,022,975	$ 1,510,957	50%	$ 11,491,961
2016	3,019,371	1,790,132	59%	12,721,200
2017	4,672,350	1,804,340	39%	15,589,210

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, 2016	$ 9,048,616	$ 42,770,338	$ 33,721,722	21%	$ 155,042,854	22%

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, 2016, 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 $9,048,616 as of June 30, 2017. 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, 2017, 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, 2015 to June 30, 2017:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 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
Claims and changes in estimates	79,459	70,230	149,689
Claims payments	(210,084)	(70,230)	(280,314)
Liability Balance, June 30, 2017	$ 611,119	$ -	$ 611,119
Assets available to pay claims at June 30, 2017	$ 1,408,388	$ 586,637	$ 1,995,025

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, 2017, 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	$ 185,121,927	$ 42,868,374	$ 7,740,208	$ 19,769,218
CalPERS	62,713,529	20,541,428	2,796,347	9,170,273
Total	$ 247,835,456	$ 63,409,802	$ 10,536,555	$ 28,939,491

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, 2015, 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, 2017, 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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were $14,005,405.

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

At June 30, 2017, 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	$ 185,121,927
State's proportionate share of the net pension liability associated with the District	105,386,611
Total	$ 290,508,538

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.2289 percent and 0.2340 percent, resulting in a net decrease in the proportionate share of 0.0051 percent.

For the year ended June 30, 2017, the District recognized pension expense of $19,769,218. In addition, the District recognized pension expense and revenue of $10,186,725 for support provided by the State. At June 30, 2017, 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	$ 14,005,405	$ -
Net change in proportionate share of net pension liability	14,145,867	3,224,369
Difference between projected and actual earnings on pension plan investments	14,717,102	-
Differences between expected and actual experience in the measurement of the total pension liability	-	4,515,839
Total	$ 42,868,374	$ 7,740,208

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
2018	$ 321,077
2019	321,078
2020	8,555,103
2021	5,519,844
Total	$ 14,717,102

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 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 1,467,614
2019	1,467,614
2020	1,467,614
2021	1,467,614
2022	1,467,609
Thereafter	(932,406)
Total	$ 6,405,659

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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%)	$ 266,432,203
Current discount rate (7.60%)	185,121,927
1% increase (8.60%)	117,590,338

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017, 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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions were $5,744,448.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $62,713,529. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.3175 percent and 0.3255 percent, resulting in a net decrease in the proportionate share of 0.0080 percent.

For the year ended June 30, 2017, the District recognized pension expense of $9,170,273. At June 30, 2017, 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	$ 5,744,448	$ -
Net change in proportionate share of net pension liability	2,368,574	912,179
Difference between projected and actual earnings on pension plan investments	9,731,124	-
Differences between expected and actual experience in the measurement of the total pension liability	2,697,282	-
Changes of assumptions	-	1,884,168
Total	$ 20,541,428	$ 2,796,347

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
2018	$ 1,364,919
2019	1,364,920
2020	4,461,548
2021	2,539,737
Total	$ 9,731,124

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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 1,363,218
2019	896,195
2020	10,096
Total	$ 2,269,509

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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%)	$ 93,568,935
Current discount rate (7.65%)	62,713,529
1% increase (8.65%)	37,020,332

Restricted Assets - Pension Trust

The District has established an irrevocable trust with Public Agency Retirement Services (PARS) for the express purpose of accumulating resources to pay future CalPERS and CalSTRS employer contributions. As of June 30, 2017, the balance of the trust was $8,259,640.

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 $151,687.

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 $9,583,024 (8.6 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, 2017.

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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Prop 39/Energy Saving Projects - (AE61)	$ 1,493,254	06/30/19
Ramona 2 Relo Plcmt - (AE85)	16,134	07/31/17
Seismic Retrofit Ab300 - (AE96)	376,038	06/30/20
Solar Panels 13 Sites - (AE99)	19,461	07/31/17
Howard Wtr & Gas Line Replacement - (AF14)	151,064	08/30/17
Del Norte Fire Alarm Upgrade - (AF17)	127,314	07/07/17
Mariposa Relocatable Replacement - (AF19)	42,553	07/07/17
Vernon - Health and Learning Center - (K002)	11,550	08/31/19
Buena Vista - Modernization - (K006)	17,380	06/30/18
De Anza - Modernization - (K009)	36,260	06/30/18
Edison - Modernization - (K011)	9,800	06/30/18
Elderberry - Modernization - (K013)	66,276	06/30/18
Haynes - Modernization - (K016)	7,618	06/30/18
Howard - Modernization - (K017)	101,552	06/30/18
Kingsley - Modernization - (K018)	47,060	06/30/18
Lehigh - Modernization - (K019)	39,777	06/30/18
Monte Vista - Modernization - (K024)	59,124	06/30/18
Montera - Modernization - (K025)	12,690	06/30/18
Moreno - Modernization - (K026)	44,480	06/30/18
Oaks - Modernization - (K027)	21,740	06/30/18
Ramona - Modernization - (K028)	35,590	06/30/18
Serrano - Modernization - (K029)	9,260	06/30/18
Vernon - Modernization - (K031)	120,590	06/30/18
Vina Danks - Modernization - (K032)	23,260	06/30/18
Wiltsey - Modernization - (K035)	96,920	06/30/18
	$ 2,986,745	

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, 2017, the District made payments of $25,180,536 and $3,738,773 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, 2017, the outstanding balance on the loan was $22,709.

NOTE 17 – RESTRICTED ASSETS - PENSION TRUST

Due to the omission of the PARS Pension Trust from the governmental fund statements, and the government-wide financial statements, these financial statements have been restated to account for the balances and activity of the pension trust. Accordingly, appropriate changes have been made to the governmental fund statements, and the government-wide financial statements, including the management's discussion and analysis, footnote disclosure, required supplementary information, and supplementary information.

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REQUIRED SUPPLEMENTARY INFORMATION

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 207,187,658	$ 206,654,163	$ 206,802,957	$ 148,794
Federal sources	13,275,494	17,999,697	14,586,829	(3,412,868)
Other State sources	13,964,957	24,854,029	24,882,964	28,935
Other local sources	12,233,532	15,035,310	13,905,602	(1,129,708)
Total Revenues [1]	246,661,641	264,543,199	260,178,352	(4,364,847)
EXPENDITURES				
Current				
Certificated salaries	113,282,525	118,501,876	118,501,875	1
Classified salaries	37,146,490	37,473,300	37,473,299	1
Employee benefits	47,090,550	60,324,516	60,189,879	134,637
Books and supplies	10,693,234	14,446,245	7,361,682	7,084,563
Services and operating expenditures	27,593,725	28,012,014	22,826,156	5,185,858
Other outgo	525,686	9,809,350	595,873	9,213,477
Capital outlay	286,874	4,280,894	3,087,130	1,193,764
Total Expenditures [1]	236,619,084	272,848,195	250,035,894	22,812,301
Excess (Deficiency) of Revenues Over Expenditures	10,042,557	(8,304,996)	10,142,458	18,447,454
Other Financing Sources (Uses)				
Transfers in	764,590	838,084	726,518	(111,566)
Transfers out	(9,268,620)	(9,620,125)	(5,601,906)	4,018,219
Net Financing Sources (Uses)	(8,504,030)	(8,782,041)	(4,875,388)	3,906,653
NET CHANGE IN FUND BALANCE	1,538,527	(17,087,037)	5,267,070	22,354,107
Fund Balance - Beginning	81,260,463	81,260,463	81,260,463	-
Fund Balance - Ending	$ 82,798,990	$ 64,173,426	$ 86,527,533	$ 22,354,107

[1] On behalf payments of $9,583,024 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, 2017

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, 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%
November 1, 2016	9,048,616	42,770,338	33,721,722	21%	155,042,854	22%

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, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.2289%	0.2340%	0.2068%
District's proportionate share of the net pension liability	$ 185,121,927	$ 157,517,723	$ 120,833,772
State's proportionate share of the net pension liability associated with the District	105,386,611	83,309,511	72,964,648
Total	$ 290,508,538	$ 240,827,234	$ 193,798,420
District's covered - employee payroll	$ 109,833,607	$ 109,831,644	$ 102,526,352
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	169%	143%	118%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.3175%	0.3255%	0.2986%
District's proportionate share of the net pension liability	$ 62,713,529	$ 47,986,310	$ 33,902,574
District's covered - employee payroll	$ 37,662,725	$ 36,038,807	$ 31,433,076
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	167%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	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, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 14,005,405	$ 11,785,146	$ 9,753,050
Contributions in relation to the contractually required contribution	14,005,405	11,785,146	9,753,050
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 111,330,723	$ 109,833,607	$ 109,831,644
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 5,744,448	$ 4,461,903	$ 4,242,128
Contributions in relation to the contractually required contribution	5,744,448	4,461,903	4,242,128
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 41,362,673	$ 37,662,725	$ 36,038,807
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%

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

See accompanying note to required supplementary information.

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.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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.

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SUPPLEMENTARY INFORMATION

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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 (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 8,334,330
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,155,481
Title III, English Learner Student Program	84.365	14346	939,673
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	183,021
Education for Homeless Children and Youth	84.196	14332	191,069
Passed through West End Special Education Local Plan			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,943,929
Total U.S. Department of Education			13,747,503
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	923,058
Passed through San Bernardino County Superintendent of Schools			
Medi-Cal Administrative Activities	93.778	10060	291,189
Medi-Cal Early and Periodic Screening, Diagnosis and Treatment	93.778	15-260	382,691
Subtotal Medi-Cal Assistance Program			1,596,938
Passed through CDE			
Child Care Development Fund Program Cluster			
Federal General (CCTR) and State Preschool (CSPP)	93.596	13609	1,496
Passed through San Bernardino County Superintendent of Schools			
Quality Improvement Activities	93.575	16/17-0772	26,013
Subtotal - Child Care Development Fund Program Cluster			27,509
Passed through County of San Bernardino Human Services System			
Head Start	93.600	14.646	216,582
Total U.S. Department of Health and Human Services			1,841,029

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
HealthierUS School Challenge: Smarter Lunchrooms	10.543	[1]	$ 5,500
Passed through the CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	8,374,039
Especially Needy School Breakfast Program	10.553	13526	2,666,015
Commodities	10.555	13396	893,534
Summer Lunch Program	10.559	13004	177,779
Subtotal Child Nutrition Cluster			12,111,367
Child and Adult Care Food Program	10.558	13666	1,519,916
Team Nutrition	10.574	15332	9,936
Fresh Fruit and Vegetable Program	10.582	14968	77,159
Total U.S. Department of Agriculture			13,723,878
Total Expenditures of Federal Awards			$ 29,312,410

[1] Direct award, no PCA number

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

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	2020
Sarah Galvez	Clerk	2020
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, 2017

	Final Report	
	Second Period Report 34DBD8A1	Annual Report 73A0099B
Regular ADA		
Transitional kindergarten through third	9,426.09	9,409.25
Fourth through sixth	6,856.98	6,836.74
Seventh and eighth	4,558.00	4,544.15
Total Regular ADA	20,841.07	20,790.14
Extended Year Special Education		
Transitional kindergarten through third	-	6.69
Fourth through sixth	-	5.60
Seventh and eighth	-	5.71
Total Extended Year Special Education	-	18.00
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	12.23	12.54
Fourth through sixth	19.35	18.57
Seventh and eighth	11.36	11.14
Total Special Education, Nonpublic, Nonsectarian Schools	42.94	42.25
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.31	1.31
Fourth through sixth	1.32	1.29
Seventh and eighth	0.89	0.89
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.52	3.49
Total ADA	20,887.53	20,853.88

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

	1986-87	2016-17	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	39,570	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,880	180	N/A	Complied
Grade 2		54,880	180	N/A	Complied
Grade 3		54,880	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,845	180	N/A	Complied
Grade 5		56,845	180	N/A	Complied
Grade 6		56,845	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,975	180	N/A	Complied
Grade 8		56,975	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, 2017

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

	General Fund
NET ASSETS	
Balance, June 30, 2017, Unaudited Actuals	$ 78,267,893
Increase in:	
Restricted assets - pension trust	8,259,640
Balance, June 30, 2017, Audited Financial Statement	$ 86,527,533

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND [4]				
Revenues	$ 248,374,725	$ 260,046,103	$ 257,637,662	$ 224,883,528
Other sources and transfers in	131,694	3,132,999	14,068,061	1,039,063
Total Revenues and Other Sources	248,506,419	263,179,102	271,705,723	225,922,591
Expenditures	249,859,344	250,035,894	240,921,808	228,375,492
Other uses and transfers out	6,129,258	8,101,905	26,093,986	2,153,605
Total Expenditures and Other Uses	255,988,602	258,137,799	267,015,794	230,529,097
INCREASE (DECREASE) IN FUND BALANCE	$ (7,482,183)	$ 5,041,303	$ 4,689,929	$ (4,606,506)
ENDING FUND BALANCE	$ 63,056,020	$ 70,538,203	$ 65,496,900	$ 60,806,971
AVAILABLE RESERVES [2]	$ 7,634,027	7,981,778	$ 8,010,474	$ 6,747,307
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.0%	3.1%	3.0%	3.0%
LONG-TERM OBLIGATIONS	N/A	$ 129,798,229	$ 68,896,158	$ 68,409,197
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	20,497	20,888	21,250	21,813

The General Fund balance has increased by $9,731,232 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $7,482,183 (10.6 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 one of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $61,389,032 over the past two years.

Average daily attendance has decreased by 925 over the past two years. An additional decline of 391 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

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

[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, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 314,005	$ 6,359,634	$ 50,781	$ 3,266,062
Receivables	98,866	1,708,459	150	13,499
Due from other funds	305,428	7,205	-	-
Prepaid expenses	-	1,578	-	-
Stores inventories	-	331,372	-	-
Other current assets	-	-	-	-
Total Assets	$ 718,299	$ 8,408,248	$ 50,931	$ 3,279,561
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 161,949	$ 113,622	$ -	$ 431,506
Due to other funds	556,350	1,001,180	-	1,974
Unearned revenue	-	69,167	-	-
Total Liabilities	718,299	1,183,969	-	433,480
Fund Balances:				
Nonspendable	-	369,500	-	-
Restricted	-	6,854,779	-	2,846,081
Committed	-	-	50,931	-
Assigned	-	-	-	-
Total Fund Balances	-	7,224,279	50,931	2,846,081
Total Liabilities and Fund Balances	$ 718,299	$ 8,408,248	$ 50,931	$ 3,279,561

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 7,860,602	$ 13,274,565	$ 7,381,121	$ 38,506,770
23,148	52,994	-	1,897,116
-	2,483,454	-	2,796,087
-	-	-	1,578
-	-	-	331,372
-	-	-	-
$ 7,883,750	$ 15,811,013	$ 7,381,121	$ 43,532,923
$ -	$ 293,512	$ -	$ 1,000,589
-	25,032	-	1,584,536
-	-	-	69,167
-	318,544	-	2,654,292
-	-	-	369,500
7,883,750	-	7,381,121	24,965,731
-	-	-	50,931
-	15,492,469	-	15,492,469
7,883,750	15,492,469	7,381,121	40,878,631
$ 7,883,750	$ 15,811,013	$ 7,381,121	$ 43,532,923

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	$ 244,091	$ 13,723,878	$ -	$ -
Other State sources	2,545,557	934,650	-	-
Other local sources	3,226	319,568	426	1,195,795
Total Revenues	2,792,874	14,978,096	426	1,195,795
EXPENDITURES				
Current				
Instruction	2,460,527	-	-	-
Instruction-related activities:				
Supervision of instruction	240,956	-	-	-
School site administration	159,021	-	-	-
Pupil services:				
Food services	-	14,030,516	-	-
All other pupil services	17,496	-	-	-
Administration:				
All other administration	166,002	719,690	-	14,167
Plant services	1,049	776,275	1,700	24,279
Facility acquisition and construction	-	187,713	-	489,875
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	3,045,051	15,714,194	1,700	528,321
Excess (Deficiency) of Revenues Over Expenditures	(252,177)	(736,098)	(1,274)	667,474
Other Financing Sources (Uses)				
Transfers in	305,223	1,542	-	-
Other sources - proceeds from issuance of debt	-	-	-	-
Transfers out	(53,046)	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-
Net Financing Sources	252,177	1,542	-	-
NET CHANGE IN FUND BALANCES	-	(734,556)	(1,274)	667,474
Fund Balances - Beginning	-	7,958,835	52,205	2,178,607
Fund Balances - Ending	$ -	$ 7,224,279	$ 50,931	$ 2,846,081

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 13,967,969
-	-	27,419	3,507,626
67,290	89,135	3,960,645	5,636,085
67,290	89,135	3,988,064	23,111,680
-	-	-	2,460,527
-	-	-	240,956
-	-	-	159,021
-	-	-	14,030,516
-	-	-	17,496
-	-	-	899,859
-	6,390	-	809,693
-	2,169,769	-	2,847,357
-	-	1,510,000	1,510,000
-	-	2,337,243	2,337,243
-	2,176,159	3,847,243	25,312,668
67,290	(2,087,024)	140,821	(2,200,988)
-	4,296,583	-	4,603,348
-	-	7,651,869	7,651,869
-	(674,914)	-	(727,960)
-	-	(4,875,202)	(4,875,202)
-	3,621,669	2,776,667	6,652,055
67,290	1,534,645	2,917,488	4,451,067
7,816,460	13,957,824	4,463,633	36,427,564
$ 7,883,750	$ 15,492,469	$ 7,381,121	$ 40,878,631

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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 and Medi-Cal Early and Periodic Screening, Diagnosis and Treatment 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:		$ 28,554,798
Medi-Cal Billing Option	93.778	62,907
Medi-Cal Early and Periodic Screening, Diagnosis and Treatment	93.778	694,705
Total Schedule of Expenditures of Federal Awards		$ 29,312,410

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.

Independent Auditor's Reports

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Ontario-Montclair School District
Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ontario-Montclair School District (the District) as of and for the year ended June 30, 2017, 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 11, 2017.

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.

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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 11, 2017.

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 11, 2017
(except for Note 17, as to which the date is January 10, 2018.)

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017. 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.

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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, 2017.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness 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 11, 2017

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 *2016-2017 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, 2017.

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 *2016-2017 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, 2017.

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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
Mental Health Expenditures	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
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 Attendance 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 procedures related to Juvenile Court Schools.

The District does not offer 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 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 procedures related to the Independent Study-Course Based Program.

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 11, 2017

Schedule of Findings and Questioned Costs

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SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

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
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec 611
10.553, 10.555, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 879,372
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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

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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, 2017, 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 11, 2017 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Arroyo Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that two of five deposit batches tested were not deposited in a timely manner. The delay in deposit ranged from approximately 15 to 43 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.

Observation

Based on the review of the disbursement procedures, it was noted that one of two 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.

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Elderberry Elementary School

Observation

Based on the review of cash receipting procedures, it was noted that three of three deposit batches tested were not deposited in a timely manner. The delay in deposit ranged from approximately nine to 35 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.

Euclid Elementary School

Observation

Based on the review of cash receipting procedures, it was noted that one of five deposit batch tested was not deposited in a timely manner. The delay in deposit ranged from approximately 12 to 15 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The 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. Four of five deposit batches 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 students 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

A ticket sales recap form is not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.

Recommendation

A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.

Kingsley Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that two of two deposit batches tested were not deposited in a timely manner. The delay in deposit ranged from approximately 13 to 29 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.

De Anza Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that four of 11 deposit batches tested were not deposited in a timely manner. The delay in deposit ranged from approximately eight to 21 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.

Observation

Based on the review of the disbursement procedures, it was noted that four of five 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.

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 counts 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 Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods 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 11, 2017