# 2018-2019 Annual Financial Audit Report

**Ontario-Montclair School District**

950 West D Street

Ontario, CA 91762

www.omsd.net

Board Approved: February 6, 2020

Annual Financial Report
June 30, 2019

# Ontario-Montclair School District

EideBailly

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

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# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

Governing Board
Ontario-Montclair School District
Ontario, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ontario-Montclair School District (the District) as of and for the year ended June 30, 2019, 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 *2018-2019 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 entity'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 entity'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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 75, schedule of changes in the District's net OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on pages 78, and the schedule of District contributions on pages 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario-Montclair School District's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),* and the other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2019

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# Ontario-Montclair
School District

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

BUSINESS SERVICES

James Q. Hammond, Ed.D.
*Superintendent*

Phil Hillman
*Chief Business Official*

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, 2019, with comparative information from the fiscal year ending June 30, 2018. 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.

## 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.

***Proprietary Funds*** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Internal Service Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

## 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 $25,909,469 for the fiscal year ended June 30, 2019. Of this amount, $(192,342,140) 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 | |
|---|---|---|
| | 2019 | 2018 |
| **Assets** | | |
| Current and other assets | $ 247,681,726 | $ 218,691,449 |
| Capital assets | 251,399,893 | 218,751,606 |
| **Total Assets** | 499,081,619 | 437,443,055 |
| **Deferred Outflows of Resources** | 83,302,146 | 91,563,961 |
| **Liabilities** | | |
| Current liabilities | 43,171,846 | 34,609,856 |
| Long-term obligations | 207,465,239 | 158,281,976 |
| Aggregate net pension liability | 284,138,310 | 277,487,764 |
| **Total Liabilities** | 534,775,395 | 470,379,596 |
| **Deferred Inflows of Resources** | 21,698,901 | 20,941,395 |
| **Net Position** | | |
| Net investment in capital assets | 165,749,942 | 160,426,562 |
| Restricted | 52,501,667 | 54,731,084 |
| Unrestricted (deficit) | (192,342,140) | (177,471,621) |
| **Total Net Position** | $ 25,909,469 | $ 37,686,025 |

The $(192,342,140) 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 | |
|---|---|---|
| | 2019 | 2018 |
| **Revenues** | | |
| Program revenues: | | |
| Charges for services | $ 2,682,444 | $ 2,035,648 |
| Operating grants and contributions | 78,171,520 | 67,540,792 |
| Capital grants and contributions | 93,166 | 100,994 |
| General revenues: | | |
| Federal and State aid not restricted | 203,470,204 | 195,051,641 |
| Property taxes | 31,407,942 | 29,373,038 |
| Other general revenues | 7,643,426 | 6,452,966 |
| **Total Revenues** | 323,468,702 | 300,555,079 |
| **Expenses** | | |
| Instruction-related | 247,545,973 | 229,884,673 |
| Pupil services | 39,883,377 | 38,357,785 |
| Administration | 16,513,996 | 16,673,879 |
| Plant services | 24,581,993 | 24,016,603 |
| All other services | 6,719,919 | 6,711,766 |
| **Total Expenses** | 335,245,258 | 315,644,706 |
| **Change in Net Position** | $ (11,776,556) | $ (15,089,627) |

***Governmental Activities***

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $335,245,258. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $31,407,942, because the cost was paid by those who benefited from the programs, $2,682,444, or by other governments and organizations who subsidized certain programs with grants and contributions, $78,264,686. We paid for the remaining "public benefit" portion of our governmental activities with $211,113,630, 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 including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. 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**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost/ (Revenues) of Services | Total Cost of Services | Net Cost/ (Revenues) of Services |
| Instruction-related | $ 247,545,973 | $ 194,970,860 | $ 229,884,673 | $ 186,102,038 |
| Pupil services | 39,883,377 | 18,318,386 | 38,357,785 | 18,335,517 |
| Administration | 16,513,996 | 13,240,934 | 16,673,879 | 14,591,140 |
| Plant services | 24,581,993 | 23,069,130 | 24,016,603 | 23,195,406 |
| All other services | 6,719,919 | 4,698,818 | 6,711,766 | 3,743,171 |
| **Total** | $ 335,245,258 | $ 254,298,128 | $ 315,644,706 | $ 245,967,272 |

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $189,070,349, which is an increase of $19,165,598 from last year (Table 4).

### Table 4

| | Balances and Activity | | | |
|---|---|---|---|---|
| | July 1, 2018 | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2019 |
| General Fund | $ 82,047,118 | $ 290,305,509 | $ 290,048,665 | $ 82,303,962 |
| Building Fund | 26,659,077 | 45,560,709 | 29,620,380 | 42,599,406 |
| Child Development Fund | 303,614 | 3,730,546 | 3,760,992 | 273,168 |
| Cafeteria Fund | 6,789,294 | 16,420,520 | 16,498,375 | 6,711,439 |
| Deferred Maintenance Fund | 244 | 4 | - | 248 |
| Capital Facilities Fund | 3,867,431 | 1,444,269 | 452,665 | 4,859,035 |
| County School Facilities Fund | 5,407,620 | 93,165 | 3,993,696 | 1,507,089 |
| Special Reserve Fund for Capital Outlay Projects | 14,713,900 | 7,792,755 | 4,854,151 | 17,652,504 |
| Bond Interest and Redemption Fund | 9,834,858 | 12,408,833 | 8,944,945 | 13,298,746 |
| Debt Service Fund | 20,281,595 | 313,582 | 730,425 | 19,864,752 |
| **Total** | **$ 169,904,751** | **$ 378,069,892** | **$ 358,904,294** | **$ 189,070,349** |

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, 2019. (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 75.)

Revenue and expenditure revisions were made to the 2018-2019 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, 2019, the District had a carrying value of $251,399,893 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment, and vehicles. This amount represents a net increase (including additions, deductions, and depreciation) of $32,648,287 or 14.9 percent, from last year.

**Table 5**

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| Land and construction in progress | $ 67,697,382 | $ 30,365,582 |
| Buildings and improvements | 178,888,631 | 184,445,563 |
| Equipment | 4,813,880 | 3,940,461 |
| **Total** | $ 251,399,893 | $ 218,751,606 |

Several capital projects are planned for the 2018-2019 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 $207,465,239 in long-term obligations outstanding versus $158,281,976 last year, resulting in an increase of $49,183,263, or 31.1 percent, from last year. Those long-term obligations consisted of:

**Table 6**

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| General obligation bonds - net (financed with property taxes) | $ 153,071,766 | $ 109,311,711 |
| Compensated absences | 3,157,383 | 2,808,627 |
| Claims liability | 807,098 | 488,052 |
| SELF workers' compensation assessment | 101,989 | 127,504 |
| Net other postemployment benefits (OPEB) liability | 50,327,003 | 45,546,082 |
| **Total** | $ 207,465,239 | $ 158,281,976 |

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 $284,138,310 in net pension liability versus $277,487,764 last year, resulting in an increase of $6,650,546, or 2.4 percent, from last year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 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 2019-2020:
   a. 2019-2020: 19,402 Estimated P-2
   b. 2018-2019: 19,844 Actual P-2
   c. 2017-2018: 20,332 Actual P-2

### B. Revenue Assumptions

1. Local Control Funding Formula (LCFF) is budgeted to increase to $219.2 million:
   a. Cost of Living Adjustment (COLA) of 3.26 percent.
   b. GAP funding rate of 100 percent.
   c. A three-year rolling average unduplicated pupil percentage of 87.33, the count of pupils who are English Learner students, Free or Reduced-Price Meal students, and/or Foster Youth.
   d. Local property taxes of $17,093,668.

### 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 2019-2020 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 2019-2020 Ending Fund Balance is based on the District's 2018-2019 General Fund Estimated Actuals Report and 2019-2020 General Fund Adopted Budget Report. This balance is estimated to be $52.77 million, which includes but not limited to, Nonspendable balances of $319,198, Committed balances of $40.3 million, Restricted balances of $3.97 million, and an Economic Uncertainties balance of $8.16 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 (2019-2020) and two subsequent fiscal years (2020-2021 and 2021-2022).

## 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. net.

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2019

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 225,126,895 |
| Restricted assets - pension trust | 6,632,521 |
| Receivables | 15,363,512 |
| Prepaid expenses | 104,441 |
| Stores inventories | 454,357 |
| Other current assets | |
| Capital assets | |
| Land and construction in progress | 67,697,382 |
| Other capital assets | 330,921,158 |
| Less accumulated depreciation | (147,218,647) |
| Total Capital Assets | 251,399,893 |
| **Total Assets** | 499,081,619 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred charge on refunding | 680,241 |
| Deferred outflows of resources related to pensions | 82,621,905 |
| **Total Deferred Outflows of Resources** | 83,302,146 |
| **LIABILITIES** | |
| Accounts payable | 41,422,547 |
| Accrued interest payable | 1,737,238 |
| Unearned revenue | 12,061 |
| Long-term obligations: | |
| Current portion of long-term obligations other than pensions | 5,461,775 |
| Noncurrent portion of long-term obligations other than pensions | 202,003,464 |
| Total Long-Term Obligations | 207,465,239 |
| Aggregate net pension liability | 284,138,310 |
| **Total Liabilities** | 534,775,395 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows of resources related to pensions | 21,698,901 |
| **NET POSITION** | |
| Net investment in capital assets | 165,749,942 |
| Restricted for: | |
| Debt service | 12,656,260 |
| Capital projects | 6,366,124 |
| Educational programs | 4,052,374 |
| Other activities | 22,794,388 |
| Other restrictions - pension trust | 6,632,521 |
| Unrestricted (deficit) | (192,342,140) |
| **Total Net Position** | $ 25,909,469 |

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

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2019

| | | 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 | $ 218,243,154 | $ 1,175,593 | $ 46,945,694 | $ 93,166 | $ (170,028,701) |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 6,219,397 | 73,787 | 1,700,823 | - | (4,444,787) |
| Instructional library, media, and technology | 1,239,921 | - | 217,738 | - | (1,022,183) |
| School site administration | 21,843,501 | 9,912 | 2,358,400 | - | (19,475,189) |
| Pupil services: | | | | | |
| Home-to-school transportation | 6,767,635 | - | 238,315 | - | (6,529,320) |
| Food services | 15,762,270 | 146,999 | 14,556,197 | - | (1,059,074) |
| All other pupil services | 17,353,472 | 172,509 | 6,450,971 | - | (10,729,992) |
| Administration: | | | | | |
| Data processing | 5,381,206 | - | 128,562 | - | (5,252,644) |
| All other administration | 11,132,790 | 73,027 | 3,071,473 | - | (7,988,290) |
| Plant services | 24,581,993 | 19,586 | 1,493,277 | - | (23,069,130) |
| Ancillary services | 727,336 | - | 45,089 | - | (682,247) |
| Enterprise services | 354 | - | - | - | (354) |
| Interest on long-term obligations | 4,750,222 | - | - | - | (4,750,222) |
| Other outgo | 1,242,007 | 1,011,031 | 964,981 | - | 734,005 |
| **Total Governmental Activities** | $ 335,245,258 | $ 2,682,444 | $ 78,171,520 | $ 93,166 | (254,298,128) |

| | |
|---|---|
| **General Revenues and Subventions:** | |
| Property taxes, levied for general purposes | 22,333,918 |
| Property taxes, levied for debt service | 7,900,466 |
| Taxes levied for other specific purposes | 1,173,558 |
| Federal and State aid not restricted to specific purposes | 203,470,204 |
| Interest and investment earnings | 2,678,702 |
| Miscellaneous | 4,964,724 |
| **Total General Revenues and Subventions** | 242,521,572 |
| **Change in Net Position** | (11,776,556) |
| Net Position - Beginning | 37,686,025 |
| Net Position - Ending | $ 25,909,469 |

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

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## GOVERNMENTAL FUNDS
## BALANCE SHEET
## JUNE 30, 2019

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 99,442,827 | $ 51,487,100 | $ 59,339,403 | $ 210,269,330 |
| Restricted assets - pension trust | 6,632,521 | - | - | 6,632,521 |
| Receivables | 11,037,191 | 195,203 | 4,041,064 | 15,273,458 |
| Due from other funds | 3,137,351 | - | 4,378,538 | 7,515,889 |
| Prepaid expenditures | 104,441 | - | - | 104,441 |
| Stores inventories | 164,554 | - | 289,803 | 454,357 |
| **Total Assets** | $ 120,518,885 | $ 51,682,303 | $ 68,048,808 | $ 240,249,996 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 30,063,192 | $ 9,075,718 | $ 2,153,215 | $ 41,292,125 |
| Due to other funds | 8,139,670 | 7,179 | 1,728,612 | 9,875,461 |
| Unearned revenue | 12,061 | - | - | 12,061 |
| **Total Liabilities** | 38,214,923 | 9,082,897 | 3,881,827 | 51,179,647 |
| **Fund Balances:** | | | | |
| Nonspendable | 343,995 | - | 326,353 | 670,348 |
| Restricted | 10,684,895 | 42,599,406 | 46,056,328 | 99,340,629 |
| Committed | - | - | 248 | 248 |
| Assigned | 62,473,019 | - | 17,784,052 | 80,257,071 |
| Unassigned | 8,802,053 | - | - | 8,802,053 |
| **Total Fund Balances** | 82,303,962 | 42,599,406 | 64,166,981 | 189,070,349 |
| **Total Liabilities and Fund Balances** | $ 120,518,885 | $ 51,682,303 | $ 68,048,808 | $ 240,249,996 |

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, 2019

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | **$ 189,070,349** |
| **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 | $ 398,618,540 | |
| Accumulated depreciation is | (147,218,647) | |
| Net Capital Assets | | 251,399,893 |
| 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. | | (1,737,238) |
| 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. | | 16,267,682 |
| Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. | | 680,241 |
| Deferred outflows of resources related to pensions represent a consumption of net position in a future period and are 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 | 26,323,289 | |
| Net change in proportionate share of net pension liability | 9,943,254 | |
| Differences between projected and actual earnings on pension plan investments | 721,452 | |
| Differences between expected and actual experience in the measurement of the total pension liability | 6,374,546 | |
| Changes of assumptions | 39,259,364 | |
| Total Deferred Outflows of Resources Related to Pensions | | 82,621,905 |
| Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and are 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 | (11,295,086) | |
| Differences between projected and actual earnings on pension plan investments | (7,554,186) | |
| Differences between expected and actual experience in the measurement of the total pension liability | (2,849,629) | |
| Total Deferred Inflows of Resources Related to Pensions | | (21,698,901) |

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, (Continued)
## JUNE 30, 2019

| | | |
|---|---|---|
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | $ (284,138,310) |
| 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 | $ (138,464,737) | |
| Premium on general obligation bonds | (9,234,861) | |
| Compensated absences (vacations) | (3,157,383) | |
| Net other postemployment benefits (OPEB) liability | (50,327,003) | |
| In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest on the general obligation bonds to date is: | (5,372,168) | |
| Total Long-Term Obligations | | (206,556,152) |
| **Total Net Position - Governmental Activities** | | **$ 25,909,469** |

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, 2019

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local control funding formula | $ 217,061,916 | $ - | $ - | $ 217,061,916 |
| Federal sources | 18,383,520 | - | 15,128,871 | 33,512,391 |
| Other state sources | 47,131,205 | - | 4,563,634 | 51,694,839 |
| Other local sources | 6,476,113 | 560,709 | 11,048,265 | 18,085,087 |
| **Total Revenues** | 289,052,754 | 560,709 | 30,740,770 | 320,354,233 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Instruction | 189,399,624 | - | 3,132,261 | 192,531,885 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 5,595,235 | - | 268,685 | 5,863,920 |
| Instructional library, media, and technology | 1,165,576 | - | - | 1,165,576 |
| School site administration | 20,154,537 | - | 144,558 | 20,299,095 |
| Pupil services: | | | | |
| Home-to-school transportation | 6,586,916 | - | - | 6,586,916 |
| Food services | 33,476 | - | 14,902,716 | 14,936,192 |
| All other pupil services | 16,245,121 | - | 20,936 | 16,266,057 |
| Administration: | | | | |
| Data processing | 6,250,698 | - | - | 6,250,698 |
| All other administration | 9,559,519 | - | 1,033,155 | 10,592,674 |
| Plant services | 22,106,010 | - | 1,758,472 | 23,864,482 |
| Ancillary services | 681,100 | - | - | 681,100 |
| Other outgo | 1,242,007 | - | - | 1,242,007 |
| Facility acquisition and construction | 2,448,678 | 29,450,380 | 7,046,341 | 38,945,399 |
| Debt service | | | | |
| Principal | - | - | 5,325,000 | 5,325,000 |
| Interest and other | - | 170,000 | 4,350,370 | 4,520,370 |
| **Total Expenditures** | 281,468,497 | 29,620,380 | 37,982,494 | 349,071,371 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 7,584,257 | (29,059,671) | (7,241,724) | (28,717,138) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 1,252,755 | - | 7,580,168 | 8,832,923 |
| Other sources - proceeds from issuance of general obligation bond | - | 45,000,000 | 3,882,736 | 48,882,736 |
| Transfers out | (8,580,168) | - | (1,252,755) | (9,832,923) |
| **Net Financing Sources (Uses)** | (7,327,413) | 45,000,000 | 10,210,149 | 47,882,736 |
| **NET CHANGE IN FUND BALANCES** | 256,844 | 15,940,329 | 2,968,425 | 19,165,598 |
| **Fund Balances - Beginning** | 82,047,118 | 26,659,077 | 61,198,556 | 169,904,751 |
| **Fund Balances - Ending** | $ 82,303,962 | $ 42,599,406 | $ 64,166,981 | $ 189,070,349 |

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, 2019

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | **$ 19,165,598** |
| **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 capital outlays exceeds depreciation in the period. | | |
| Capital outlays | $ 40,120,172 | |
| Depreciation | (7,471,885) | |
| Net Expense Adjustment | | 32,648,287 |
| In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $348,756. | | (348,756) |
| 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. | | (15,594,709) |
| In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. | | (4,780,921) |
| Proceeds received from issuance of debt is 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 | | (48,882,736) |
| Repayment of general obligation bond principal is an expenditure in the governmental funds, but reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. | | 5,325,000 |
| 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 | 522,107 | |
| Amortization of deferred charges on refunding | (75,158) | |
| Combined Adjustment | | 446,949 |

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

# RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
# FOR THE YEAR ENDED JUNE 30, 2019

| | | |
|---|---|---|
| Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors. First, accrued interest on the general obligation bonds decreased by $47,625, and second, $724,426 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. | $ | (676,801) |
| 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. | | 921,533 |
| **Change in Net Position of Governmental Activities** | **$** | **(11,776,556)** |

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

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## PROPRIETARY FUNDS
## STATEMENT OF NET POSITION
## JUNE 30, 2019

| | Governmental Activities - Internal Service Fund |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Deposits and investments | $ 14,857,565 |
| Receivables | 90,054 |
| Due from other funds | 3,761,132 |
| **Total Current Assets** | 18,708,751 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable | 130,422 |
| Due to other funds | 1,401,560 |
| Current portion of claims liability | 201,775 |
| **Total Current Liabilities** | 1,733,757 |
| **Noncurrent Liabilities** | |
| Noncurrent portion of claims liability and SELF assessment | 707,312 |
| **NET POSITION** | |
| Restricted | $ 16,267,682 |

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, 2019

| | Governmental Activities - Internal Service Fund |
|---|---|
| **OPERATING REVENUES** | |
| Charges to other funds and miscellaneous revenues | $ 4,696,377 |
| **OPERATING EXPENSES** | |
| Payroll costs | 66,239 |
| Supplies and materials | 233,206 |
| Other operating cost | 4,761,198 |
| **Total Operating Expenses** | 5,060,643 |
| **Operating Loss** | (364,266) |
| **NON-OPERATING REVENUES** | |
| Interest income | 285,799 |
| Transfers in | 1,000,000 |
| **Total Non-Operating Revenues** | 1,285,799 |
| **Change in Net Position** | 921,533 |
| **Total Net Position - Beginning** | 15,346,149 |
| **Total Net Position - Ending** | $ 16,267,682 |

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

# PROPRIETARY FUNDS
# STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from assessments made to other funds | $ 4,285,397 |
| Cash payments to employees for services | (66,239) |
| Other operating cash payments | (233,206) |
| Cash payments for claims | (4,672,129) |
| Net Cash Used by Operating Activities | (686,177) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Transfer in from other funds | 1,000,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest on investments | 259,897 |
| Net Increase in Cash and Cash Equivalents | 573,720 |
| Cash and Cash Equivalents - Beginning | 14,283,845 |
| Cash and Cash Equivalents - Ending | $ 14,857,565 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | |
| Operating income | $ (364,266) |
| Changes in assets and liabilities: | |
| Receivables | 73,061 |
| Due from other funds | (402,047) |
| Accounts payable | (204,462) |
| Due to other funds | (81,994) |
| Claims liability and SELF assessment | 293,531 |
| **NET CASH USED BY OPERATING ACTIVITIES** | $ (686,177) |

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

# FIDUCIARY FUNDS
# STATEMENT OF NET POSITION
# JUNE 30, 2019

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 393,497 |
| Stores inventories | 44,779 |
| **Total Assets** | $ 438,276 |
| **LIABILITIES** | |
| Due to student groups | $ 438,276 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

The Ontario-Montclair School District (the District) was organized in 1894 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State. The District operates 26 elementary schools, six middle schools, a community day school, an independent study program, and a child care program.

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

### Basis of Presentation - Fund Accounting

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

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

As a result, the General Fund reflects an increase in fund balance of $25,676,608, and a decrease in revenues and other financing sources, and expenditures and other financing uses of $5,519,906 and $3,535,074, 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.

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue Funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. 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 to be used for the acquisition or construction of major 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), 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 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).

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

**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, 2019, 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.

**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, 2019, the balance of the trust was $6,632,521.

**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 fiduciary fund types 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 liabilities in the governmental fund financial statements when due.

**Debt Issuance Costs, Premiums, and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for 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.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Fund Balances - Governmental Funds**

As of June 30, 2019, 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.

### Minimum Fund Balance Policy

The governing board has adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### 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 $52,501,667 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.

### 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 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 District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

**New Accounting Pronouncements**

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 the reporting periods beginning after December 15, 2018. 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 225,126,895 |
| Fiduciary funds | 393,497 |
| Total Deposits and Investments | $ 225,520,392 |

Deposits and investments as of June 30, 2019, consisted of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 614,365 |
| Cash in revolving | 111,550 |
| Investments | 224,794,477 |
| Total Deposits and Investments | $ 225,520,392 |

### 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/ Maturity Date |
|---|---|---|
| San Bernardino County Treasury Investment Pool | $ 204,930,215 | 424 |
| U.S. Treasury Notes | 19,864,262 | 7/31/2019 |
| Total | $ 224,794,477 | |

### 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, 2019, 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, 2019:

| Investment Type | Reported Amount | Level 1 Inputs | Uncategorized |
|---|---|---|---|
| San Bernardino County Treasury Investment Pool | $ 204,930,215 | $ - | $ 204,930,215 |
| U.S. Treasury Notes | 19,864,262 | 19,864,262 | - |
| Total | $ 224,794,477 | $ 19,864,262 | $ 204,930,215 |

## NOTE 4 – RECEIVABLES

Receivables at June 30, 2019, 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 | $ 5,796,618 | $ - | $ 3,106,049 | $ - | $ 8,902,667 |
| State Government | | | | | |
| Categorical aid | 2,609,583 | - | 733,427 | - | 3,343,010 |
| Special education | 301,767 | - | - | - | 301,767 |
| Lottery | 1,030,126 | - | - | - | 1,030,126 |
| Local Government | | | | | |
| Interest | 495,478 | 195,203 | 140,938 | 83,644 | 915,263 |
| Due from other LEAs | 576,766 | - | - | - | 576,766 |
| Other Local Sources | | | | | |
| Other | 226,853 | - | 60,650 | 6,410 | 293,913 |
| Total | $ 11,037,191 | $ 195,203 | $ 4,041,064 | $ 90,054 | $ 15,363,512 |

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 6,160,798 | $ - | $ - | $ 6,160,798 |
| Construction in progress | 24,204,784 | 38,402,392 | 1,070,592 | 61,536,584 |
| Total Capital Assets Not Being Depreciated | 30,365,582 | 38,402,392 | 1,070,592 | 67,697,382 |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 308,374,875 | 1,070,592 | - | 309,445,467 |
| Furniture and equipment | 19,819,911 | 1,717,780 | 62,000 | 21,475,691 |
| Total Capital Assets Being Depreciated | 328,194,786 | 2,788,372 | 62,000 | 330,921,158 |
| Total Capital Assets | 358,560,368 | 41,190,764 | 1,132,592 | 398,618,540 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | 123,929,312 | 6,627,524 | - | 130,556,836 |
| Furniture and equipment | 15,879,450 | 844,361 | 62,000 | 16,661,811 |
| Total Accumulated Depreciation | 139,808,762 | 7,471,885 | 62,000 | 147,218,647 |
| Governmental Activities Capital Assets, Net | $ 218,751,606 | $ 33,718,879 | $ 1,070,592 | $ 251,399,893 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction | $ 6,785,966 |
| Food service | 685,919 |
| Total Depreciation | $ 7,471,885 |

## 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, 2019, between major and non-major governmental funds, and the internal service fund are as follows:

| | Due From | | | | |
|---|---|---|---|---|---|
| Due To | General Fund | Building Fund | Non-Major Governmental Funds | Internal Service Fund | Total |
| General Fund | $ - | $ 7,179 | $ 1,728,612 | $ 1,401,560 | $ 3,137,351 |
| Non-Major Governmental Funds | 4,378,538 | - | - | - | 4,378,538 |
| Internal Service Fund | 3,761,132 | - | - | - | 3,761,132 |
| Total | $ 8,139,670 | $ 7,179 | $ 1,728,612 | $ 1,401,560 | $ 11,277,021 |

The balance of $7,179 is due to the General Fund from the Building Fund for the reimbursement of operating costs.

A balance of $604,179 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 $1,121,513 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of $2,920 is due to the General Fund from the Capital Facilties Non-Major Governmental Fund for the reimbursement of capital outlay projects.

The balance of $1,401,560 is due to the General Fund from the Internal Service Fund for the reimbursement of operating costs.

A balance of $19,291 is due to the Child Development Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of $2,910 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of $4,356,337 is due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund for capital project reserve.

A balance of $2,383,202 is due to the Internal Service Fund from the General Fund for contribution for net other postemployment benefits (OPEB) liability.

A balance of $1,377,930 is due to the Internal Service Fund from the General Fund for charges for workers' compensation insurance.

### Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

| | Transfers From | | |
|---|---|---|---|
| Transfer To | General Fund | Non-Major Governmental Funds | Total |
| General Fund | $ - | $ 1,252,755 | $ 1,252,755 |
| Non-Major Governmental Funds | 7,580,168 | - | 7,580,168 |
| Internal Service Fund | 1,000,000 | - | 1,000,000 |
| Total | $ 8,580,168 | $ 1,252,755 | $ 9,832,923 |

| | |
|---|---|
| The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for capital project reserves, RDA funds, and technology project reserves. | $ 7,516,088 |
| The General Fund transferred to the Child Development Non-Major Governmental Fund to reimburse for operating costs. | 64,080 |
| The General Fund transferred to the Internal Service Fund for property and liability claims. | 1,000,000 |
| The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the General Fund for project costs. | 1,252,755 |
| | $ 9,832,923 |

## NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Internal Service Fund | Total Governmental Activities |
|---|---|---|---|---|---|
| Salaries and benefits | $ 17,628,811 | $ - | $ 298,433 | $ - | $ 17,927,244 |
| LCFF apportionment | 2,580,072 | - | - | - | 2,580,072 |
| Supplies | 3,645,554 | - | 584,691 | - | 4,230,245 |
| Services | 3,775,905 | 151,787 | 849,925 | 130,300 | 4,907,917 |
| Capital outlay | 848,674 | 8,921,246 | 333,075 | - | 10,102,995 |
| Due to other LEAs | 1,044,118 | - | - | - | 1,044,118 |
| Other vendor payables | 540,058 | 2,685 | 87,091 | 122 | 629,956 |
| Total | $ 30,063,192 | $ 9,075,718 | $ 2,153,215 | $ 130,422 | $ 41,422,547 |

## NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

| | General Fund |
|---|---|
| Federal financial assistance | $ 12,061 |

## 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, 2018 | Additions | Deductions | Balance June 30, 2019 | Due in One Year |
|---|---|---|---|---|---|
| General obligation bonds | $ 86,942,479 | $ 45,724,426 | $ 4,205,000 | $ 128,461,905 | $ 4,040,000 |
| Unamortized premium | 5,874,232 | 3,882,736 | 522,107 | 9,234,861 | - |
| Private placement debt - General obligation bonds | 16,495,000 | - | 1,120,000 | 15,375,000 | 1,220,000 |
| Compensated absences | 2,808,627 | 348,756 | - | 3,157,383 | - |
| Claims liability | 488,052 | 571,398 | 252,352 | 807,098 | 176,260 |
| SELF workers' compensation assessment | 127,504 | - | 25,515 | 101,989 | 25,515 |
| Net other postemployment benefits (OPEB) liability | 45,546,082 | 5,491,699 | 710,778 | 50,327,003 | - |
| | $ 158,281,976 | $ 56,019,015 | $ 6,835,752 | $ 207,465,239 | $ 5,461,775 |

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences and the net other postemployment benefits (OPEB) liability 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 1, 2018 | Accreted Interest | Redeemed | June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| Series B | 2006 | 8/1/2030 | 4.50-5.00% | $ 9,999,646 | $ 1,864,464 | $ 152,149 | $ - | $ 2,016,613 |
| Series C | 2008 | 8/1/2032 | 4.50-8.90% | 7,999,994 | 2,409,488 | 157,344 | - | 2,566,832 |
| Series D | 2009 | 8/1/2030 | 2.00-6.56% | 4,100,263 | 5,413,527 | 414,933 | 450,000 | 5,378,460 |
| Series D-1 | 2009 | 8/1/2034 | 6.13-6.68% | 19,205,000 | 19,205,000 | - | - | 19,205,000 |
| 2016 Refunding Series A | 2016 | 8/1/2027 | 3.00-5.00% | 4,280,000 | 4,280,000 | - | 280,000 | 4,000,000 |
| 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 | - | 3,475,000 | 31,525,000 |
| Series 2019B | 2019 | 8/1/2048 | 4.00-5.00% | 45,000,000 | - | 45,000,000 | - | 45,000,000 |
| | | | | | $ 86,942,479 | $ 45,724,426 | $ 4,205,000 | $ 128,461,905 |

### 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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series B was $2,016,613 and unamortized premium on issuance was $97,158.

### 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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series C was $2,566,832.

**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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series D was $5,378,460 and unamortized premium on issuance was $602,729.

**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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series D-1 was $19,205,000.

**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. At June 30, 2019, the principal balance outstanding of the 2016 General Obligation Refunding Bonds, Series A was $4,000,000 and unamortized premium on issuance and deferred charge on refunding were $480,860 and $127,421, respectively. The District has pledged funds on deposit in the Bond Interest and Redemption Fund for repayment of the bonds and interest.

**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 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. At June 30, 2019, the principal balance outstanding of the 2016 General Obligation Refunding Bonds, Series B was $18,770,000 and unamortized premium on issuance was $1,991,857. The District has pledged funds on deposit in the Bond Interest and Redemption Fund for repayment of the bonds and interest.

**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 $37,619,685 (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, 2019, the principal balance outstanding of the 2016 General Obligation Bonds, Series 2017A was $31,525,000 and unamortized premium on issuance was $2,312,312. The District has pledged funds on deposit in the Bond Interest and Redemption Fund for repayment of the bonds and interest.

**2016 General Obligation Bonds, Series 2019B**

In March 2019, the District issued the $45,000,000 Election of 2016 General Obligation Bonds, Series 2019B. The Series 2019B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2048, with interest rates of 4.00 to 5.00 percent. The net proceeds of $37,619,685 (representing the principal amount of $45,000,000 and premium of $3,882,736, less cost of issuance of $287,000) 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, 2019, the principal balance outstanding of the 2016 General Obligation Bonds, Series 2017A was $45,000,000 and unamortized premium on issuance was $3,749,945. The District has pledged funds on deposit in the Bond Interest and Redemption Fund for repayment of the bonds and interest.

**Private Placement Debt**

**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 under a negotiated purchase contract with the buyer. 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, 2019, the principal balance outstanding of the 2013 General Obligation Refunding Bonds was $15,375,000 and deferred charge on refunding was $552,820. The District has pledged funds on deposit in the Bond Interest and Redemption Fund for repayment of the bonds and interest.

**Debt Service Requirements to Maturity – Includes Private Placement Debt**

The General Obligation Bonds mature through 2049 as follows:

| Fiscal Year | Principal Including Accreted Interest to Date | Current Interest to Maturity | Accreted Interest | Total |
|---|---|---|---|---|
| 2020 | $ 5,260,000 | $ 5,819,868 | $ - | $ 11,079,868 |
| 2021 | 5,615,000 | 5,889,187 | - | 11,504,187 |
| 2022 | 3,945,000 | 5,687,859 | - | 9,632,859 |
| 2023 | 4,490,000 | 5,510,023 | - | 10,000,023 |
| 2024 | 5,050,000 | 5,312,123 | - | 10,362,123 |
| 2025-2029 | 19,682,140 | 19,526,801 | 2,413,254 | 41,622,195 |
| 2030-2034 | 31,874,765 | 25,435,542 | 9,229,841 | 66,540,148 |
| 2035-2039 | 19,790,000 | 12,654,807 | - | 32,444,807 |
| 2040-2044 | 19,765,000 | 8,735,875 | - | 28,500,875 |
| 2045-2049 | 28,365,000 | 2,965,200 | - | 31,330,200 |
| Total | $ 143,836,905 | $ 97,537,285 | $ 11,643,095 | $ 253,017,285 |

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $3,157,383.

**Claims Liability**

The District is self-insured against claims for workers' compensation injuries, and property and liability claims. The liability as of June 30, 2019, totaling $807,098 is made of $235,700 for the claims obligation for the workers' compensation program as established by an actuarial study performed by a third party and $571,398 for the claims obligation established for the property and liability insurance program based on an estimate of claims outstanding at year end.

**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, 2019, the District's outstanding obligation for their pro-rata share of equity assessed was $101,989.

**Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported net OPEB liability and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability | OPEB Expense |
|---|---|---|
| District Plans | $ 48,860,500 | $ 4,965,706 |
| Medicare Premium Payment (MPP) Program | 1,466,503 | (184,785) |
| Total | $ 50,327,003 | $ 4,780,921 |

The details of each plan are as follows:

**District Plan**

| OPEB Plan | Net OPEB Liability | OPEB Expense |
|---|---|---|
| General Trust | $ 47,484,800 | $ 4,968,982 |
| Grantor Trust | 1,065,289 | (24,691) |
| Board of Trustees | 310,411 | 21,415 |
| Total | $ 48,860,500 | $ 4,965,706 |

**Plan Administration**

The Public Agency Retirement Services (PARS) administers the Ontario-Montclair School District's Postemployment Benefits Plans (the Plans). The Plans are a single-employer defined benefit plans that are used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for PARS can be found on the PARS website at: http://www.pars.org/.

*Plans Membership*

At June 30, 2018, the Plans membership consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits payments | 169 |
| Active employees | 2,179 |
| | 2,348 |

*Benefits Provided*

The Plans provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plans. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

*Contributions*

The contribution requirements of Plans members and the District are established and may be amended by the District, the Ontario-Montclair Teachers Association (OMTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, OMTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed $2,131,797 to the Plans, all of which was used for current benefits.

**Net OPEB Liability of the District**

The District's net OPEB liability of $48,650,500 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 58,956,836 |
| Plan fiduciary net position | (10,096,336) |
| District's net OPEB liability | $ 48,860,500 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 17.12% |

*Actuarial Assumptions*

The total OPEB liability as of June 30, 2019 was determined by applying update procedures to the final actuarial valuation as of June 30, 2018 and rolling forward the total liability as of June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| General Trust | | |
|---|---|---|
| Inflation | 2.75 | percent |
| Salary increases | 2.75 | percent, average, including inflation |
| Investment rate of return | 3.60 | percent, net of OPEB plan investment expense, including inflation |
| Health care cost trend rates | 4.00 | percent for 2018 |

The discount rate was based on the real rate of return expected for plan assets plus long term inflation assumption.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

| **Grantor Trust** | | |
|---|---|---|
| Inflation | 2.75 | percent |
| Salary increases | 2.75 | percent, average, including inflation |
| Investment rate of return | 5.00 | percent, net of OPEB plan investment expense, including inflation |
| Health care cost trend rates | 4.00 | percent for 2018 |

The discount rate was based on the real rate of return expected for plan assets plus long term inflation assumption.

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

| **Board of Trustees** | | |
|---|---|---|
| Inflation | 2.75 | percent |
| Salary increases | 2.75 | percent, average, including inflation |
| Discount rate | 3.50 | percent |
| Health care cost trend rates | 4.00 | percent for 2018 |

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2018 | $ 53,465,137 | $ 9,570,343 | $ 43,894,794 |
| Service cost | 4,452,642 | - | 4,452,642 |
| Interest | 1,986,677 | - | 1,986,677 |
| Contributions-employer | - | 2,122,812 | (2,122,812) |
| Net investment income | - | 628,425 | (628,425) |
| Changes of assumptions or other inputs | 1,184,177 | - | 1,184,177 |
| Benefit payments | (2,131,797) | (2,122,812) | (8,985) |
| Administrative expense | - | (102,432) | 102,432 |
| Net change in total OPEB liability | 5,491,699 | 525,993 | 4,965,706 |
| Balance at June 30, 2019 | $ 58,956,836 | $ 10,096,336 | $ 48,860,500 |

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

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

| General Trust - Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (2.6%) | $ 51,149,788 |
| Current discount rate (3.6%) | 47,484,800 |
| 1% increase (4.6%) | 44,073,171 |

| Grantor Trust - Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (4.0%) | $ 1,219,580 |
| Current discount rate (5.0%) | 1,065,289 |
| 1% increase (6.0%) | 934,085 |

| Board of Trustees - Discount Rate | Total OPEB Liability |
|---|---|
| 1% decrease (2.5%) | $ 350,608 |
| Current discount rate (3.5%) | 310,411 |
| 1% increase (4.5%) | 277,857 |

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

| Healthcare Cost Trend Rates | Net OPEB Liability |
|---|---|
| 1% decrease (3.0%) | $ 45,198,366 |
| Current healthcare cost trend rate (4.0%) | 48,860,500 |
| 1% increase (5.0%) | 50,517,858 |

**OPEB Expense**

For the year ended June 30, 2019, the District recognized OPEB expense of $4,965,706.

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

**Net OPEB Liability and OPEB Expense**

At June 30, 2019, the District reported a liability of $1,466,503 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.3831 percent, and 0.3925 percent, resulting in a net decrease in the proportionate share of 0.0094 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(184,785).

**Actuarial Methods and Assumptions**

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June 30, 2018 | June 30, 2017 |
| Valuation Date | June 30, 2017 | June 30, 2016 |
| Experience Study | July 1, 2010 through June 30, 2015 | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.87% | 3.58% |
| Medicare Part A Premium Cost Trend Rate | 3.70% | 3.70% |
| Medicare Part B Premium Cost Trend Rate | 4.10% | 4.10% |

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability |
|---|---|
| 1% decrease (2.87%) | $ 1,622,027 |
| Current discount rate (3.87%) | 1,466,503 |
| 1% increase (4.87%) | 1,326,078 |

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

| Medicare Costs Trend Rate | Net OPEB Liability |
|---|---|
| 1% decrease (2.7% Part A and 3.1% Part B) | $ 1,337,304 |
| Current Medicare costs trend rate (3.7% Part A and 4.1% Part B) | 1,466,503 |
| 1% increase (4.7% Part A and 5.1% Part B) | 1,605,456 |

## NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|
| Nonspendable | | | | |
| Revolving cash | $ 75,000 | $ - | $ 36,550 | $ 111,550 |
| Stores inventories | 164,554 | - | 289,803 | 454,357 |
| Prepaid expenditures | 104,441 | - | - | 104,441 |
| Total Nonspendable | 343,995 | - | 326,353 | 670,348 |
| Restricted | | | | |
| Legally restricted programs | 4,052,374 | - | 6,526,706 | 10,579,080 |
| Other restrictions - pension trust | 6,632,521 | - | - | 6,632,521 |
| Capital projects | - | 42,599,406 | 6,366,124 | 48,965,530 |
| Debt services | - | - | 33,163,498 | 33,163,498 |
| Total Restricted | 10,684,895 | 42,599,406 | 46,056,328 | 99,340,629 |
| Committed | | | | |
| Deferred maintenance program | - | - | 248 | 248 |
| Assigned | | | | |
| Board policy reserve | 36,906,123 | - | - | 36,906,123 |
| Targeted program carryover | 72,036 | - | - | 72,036 |
| Classified professional growth | 39,835 | - | - | 39,835 |
| Site discretionary carryover | 2,269,651 | - | - | 2,269,651 |
| Site donations | 215,021 | - | - | 215,021 |
| California academic standards implementation | 1,875,992 | - | - | 1,875,992 |
| Certified teacher initiated funds | 21,432 | - | - | 21,432 |
| Voice over internet protocol (VoIP) install | 1,033,197 | - | - | 1,033,197 |
| Textbook back order | 995,826 | - | - | 995,826 |
| Post employment benefits liability | 8,260,632 | - | - | 8,260,632 |
| Textbook adoption reserve | 4,861,124 | - | - | 4,861,124 |
| PARS plan liability | 3,078,163 | - | - | 3,078,163 |
| Pension reserve | 2,836,349 | - | - | 2,836,349 |
| Facilities and deferred maintenance | 7,638 | - | - | 7,638 |
| Preschool reserve | - | - | 131,548 | 131,548 |
| Capital projects | - | - | 17,652,504 | 17,652,504 |
| Total Assigned | 62,473,019 | - | 17,784,052 | 80,257,071 |
| Unassigned | | | | |
| Reserve for economic uncertainties | 8,802,053 | - | - | 8,802,053 |
| Total | $ 82,303,962 | $ 42,599,406 | $ 64,166,981 | $ 189,070,349 |

## NOTE 11 – RISK MANAGEMENT

### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of $50,000 for each general liability claim and $25,000 for each property damage claim. During fiscal year ending June 30, 2019, 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, 2017 to June 30, 2019:

| | Workers' Compensation | Property and Liability | Total |
|---|---|---|---|
| Liability Balance, June 30, 2017 | $ 611,119 | $ - | $ 611,119 |
| Claims and changes in estimates | (71,143) | 96,980 | 25,837 |
| Claims payments | (51,924) | (96,980) | (148,904) |
| Liability Balance, June 30, 2018 | 488,052 | - | 488,052 |
| Claims and changes in estimates | (355,785) | 688,989 | 333,204 |
| Claims payments | 103,433 | (117,591) | (14,158) |
| Liability Balance, June 30, 2019 | $ 235,700 | $ 571,398 | $ 807,098 |
| Assets available to pay claims at June 30, 2019 | $ 1,793,814 | $ 562,554 | $ 2,356,368 |

## NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, 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 | $ 196,180,406 | $ 58,357,117 | $ 21,415,811 | $ 23,937,339 |
| CalPERS | 87,957,904 | 24,264,788 | 283,090 | 17,980,659 |
| Total | $ 284,138,310 | $ 82,621,905 | $ 21,698,901 | $ 41,917,998 |

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2019, 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% | 10.205% |
| Required employer contribution rate | 16.28% | 16.28% |
| Required State contribution rate | 9.828% | 9.828% |

**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, 2019, are presented above and the District's total contributions were $18,784,094.

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

At June 30, 2019, 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 | $ 196,180,406 |
| State's proportionate share of the net pension liability associated with the District | 112,322,458 |
| Total | $ 308,502,864 |

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.2135 percent and 0.2168 percent, resulting in a net decrease in the proportionate share of 0.0033 percent.

For the year ended June 30, 2019, the District recognized pension expense of $23,937,339. In addition, the District recognized pension expense and revenue of $2,828,670 for support provided by the State. At June 30, 2019, 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 | $ 18,784,094 | $ - |
| Net change in proportionate share of net pension liability | 8,487,520 | 11,011,996 |
| Differences between projected and actual earnings on pension plan investments | - | 7,554,186 |
| Differences between expected and actual experience in the measurement of the total pension liability | 608,348 | 2,849,629 |
| Changes of assumptions | 30,477,155 | - |
| Total | $ 58,357,117 | $ 21,415,811 |

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 |
|---|---|
| 2020 | $ 1,640,226 |
| 2021 | (1,190,193) |
| 2022 | (6,337,667) |
| 2023 | (1,666,552) |
| Total | $ (7,554,186) |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2020 | $ 6,013,666 |
| 2021 | 6,013,666 |
| 2022 | 6,013,664 |
| 2023 | 3,585,791 |
| 2024 | 4,491,395 |
| Thereafter | (406,784) |
| Total | $ 25,711,398 |

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2017 |
| Measurement date | June 30, 2018 |
| Experience study | July 1, 2010 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, 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 7.10 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 (7.10 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 (6.10%) | $ 287,381,338 |
| Current discount rate (7.10%) | 196,180,406 |
| 1% increase (8.10%) | 120,565,984 |

## 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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2019, 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% | 7.00% |
| Required employer contribution rate | 18.062% | 18.062% |

**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, 2019, are presented above and the total District contributions were $7,539,195.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $87,957,904. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.3299 percent and 0.3225 percent, resulting in a net increase in the proportionate share of 0.0074 percent.

For the year ended June 30, 2019, the District recognized pension expense of $17,980,659. At June 30, 2019, 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 | $ 7,539,195 | $ - |
| Net change in proportionate share of net pension liability | 1,455,734 | 283,090 |
| Differences between projected and actual earnings on pension plan investments | 721,452 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 5,766,198 | - |
| Changes of assumptions | 8,782,209 | - |
| Total | $ 24,264,788 | $ 283,090 |

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 |
|---|---|
| 2020 | $ 2,624,080 |
| 2021 | 627,526 |
| 2022 | (2,010,990) |
| 2023 | (519,164) |
| Total | $ 721,452 |

The deferred outflows/ (inflows) of resources related to the net change in proportionate share of net pension liability, the differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 4.0 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2020 | $ 6,746,444 |
| 2021 | 6,724,945 |
| 2022 | 2,249,662 |
| Total | $ 15,721,051 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2017 |
| Measurement date | June 30, 2018 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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 | 50% | 5.98% |
| Fixed income | 28% | 2.62% |
| Inflation assets | 0% | 1.81% |
| Private equity | 8% | 7.23% |
| Real assets | 13% | 4.93% |
| Liquidity | 1% | -0.92% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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 (6.15%) | $ 128,062,502 |
| Current discount rate (7.15%) | 87,957,904 |
| 1% increase (8.15%) | 54,685,399 |

### 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 $108,662.

### 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 $10,366,686 (9.828 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*.

Senate Bill 90 (Chapter33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

## NOTE 13 – COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

### 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, 2019.

### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

| Capital Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| MPR Roofs - AF78 | $ 248,048 | 07/31/19 |
| MPR Roofs - AF79 | 192,849 | 07/31/19 |
| Central Temporary Housing - AF37 | 421,860 | 08/31/19 |
| Euclid Temporary Housing - AF38 | 302,159 | 08/31/19 |
| Mariposa ADA Ramp - AF50 | 274,230 | 08/31/19 |
| Vernon - Health and Learning Center - K002 | 2,585,697 | 08/31/19 |
| Berlyn Building B HVAC Replacement - AF16 | 288,228 | 09/30/19 |
| De Anza HVAC Replacement - AF35 | 31,988 | 09/30/19 |
| Howard HVAC Replacement - AF36 | 43,470 | 09/30/19 |
| Serrano MPR HVAC Replacement - AF65 | 204,331 | 09/30/19 |
| Berlyn - Modernization - K004 | 399,436 | 10/31/19 |
| Del Norte - Modernization - K010 | 402,320 | 10/31/19 |
| Hawthorne - Modernization - K015 | 368,955 | 10/31/19 |
| Howard - Modernization - K017 | 573,001 | 10/31/19 |
| Lehigh - Modernization - K019 | 1,834,589 | 10/31/19 |
| Lincoln - Modernization - K020 | 336,586 | 10/31/19 |
| Mariposa - Modernization - K022 | 335,288 | 10/31/19 |
| Mission - Modernization - K023 | 450,059 | 10/31/19 |
| Monte Vista - Modernization - K024 | 337,371 | 10/31/19 |
| Sultana - Modernization - K030 | 359,224 | 10/31/19 |
| Vista Grande - Modernization - K034 | 298,693 | 10/31/19 |
| Montera Server Room HVAC - AF64 | 62,700 | 12/31/19 |
| Euclid Field/Playground Improvements - AF71 | 608,190 | 12/31/19 |
| Central - Modernization - K007 | 83,954 | 05/31/20 |
| Central Parking Lot Expansion - AF72 | 672,705 | 06/30/20 |
| IS Office Improvements - AF73 | 278,097 | 07/31/20 |
| Linda Vista Modernization - K021 | 128,058 | 07/31/20 |
| De Anza - Health and Learning Center - K001 | 3,691,850 | 08/31/20 |
| De Anza - Modernization - K009 | 817,962 | 08/31/20 |
| Vina Danks - Modernization - K032 | 2,508,635 | 12/31/20 |
| Serrano - WATC - K036 | 12,420,229 | 12/31/20 |
| Wiltsey - WATC - K038 | 12,420,229 | 12/31/20 |
| Seismic Retrofit AB300 - AF96 | 19,929,043 | 01/01/23 |
| Edison Roofing - AF77 | 408,388 | TBD |
| | $ 64,318,422 | |

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

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

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

During the year ended June 30, 2019, the District made payments of $25,815,530 and $4,291,874 to SCSEBA and ASCIP, respectively.

## NOTE 15 – RELATED PARTY TRANSACTION

In August 2011, the District entered into a contract of employment with the Superintendent of the District. The contract included a loan for down payment on a house in the amount of $100,000. The loan bears a simple interest rate of five percent on the principal balance, which is waived for each year of service provided to the District. Additionally, the loan principal is reduced by $10,000 for each year of service provided to the District. 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, 2019, the terms of the loan reduction requirements had been fully satisfied.

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## Required Supplementary Information

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# GENERAL FUND
# BUDGETARY COMPARISON SCHEDULE
# FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | Final to Actual |
| **REVENUES** | | | | |
| Local Control Funding Formula | $ 213,482,691 | $ 217,063,738 | $ 217,061,916 | $ (1,822) |
| Federal sources | 15,949,746 | 18,412,752 | 18,383,520 | (29,232) |
| Other State sources | 27,925,606 | 35,795,263 | 47,131,205 | 11,335,942 |
| Other local sources | 2,354,128 | 3,539,377 | 6,476,113 | 2,936,736 |
| **Total Revenues** [1] | 259,712,171 | 274,811,130 | 289,052,754 | 14,241,624 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | 116,860,918 | 120,355,660 | 120,339,188 | 16,472 |
| Classified salaries | 40,456,430 | 40,480,471 | 41,421,776 | (941,305) |
| Employee benefits | 58,868,743 | 69,154,799 | 79,003,185 | (9,848,386) |
| Books and supplies | 13,991,573 | 13,700,302 | 12,016,178 | 1,684,124 |
| Services and operating expenditures | 26,590,707 | 27,696,406 | 24,939,586 | 2,756,820 |
| Other outgo | 217,395 | (202,754) | 222,814 | (425,568) |
| Capital outlay | 970,575 | 4,538,523 | 3,525,770 | 1,012,753 |
| **Total Expenditures** [1] | 257,956,341 | 275,723,407 | 281,468,497 | (5,745,090) |
| **Excess (Deficiency) of Revenues Over Expenditures** | 1,755,830 | (912,277) | 7,584,257 | 8,496,534 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 1,131,694 | 7,736,372 | 1,252,755 | (6,483,617) |
| Transfers out | 1,528,533 | 7,465,811 | (8,580,168) | (16,045,979) |
| **Net Financing Sources (Uses)** | 2,660,227 | 15,202,183 | (7,327,413) | (22,529,596) |
| **NET CHANGE IN FUND BALANCE** | 4,416,057 | 14,289,906 | 256,844 | (14,033,062) |
| **Fund Balance - Beginning** | 82,047,118 | 82,047,118 | 82,047,118 | - |
| **Fund Balance - Ending** | $ 86,463,175 | $ 96,337,024 | $ 82,303,962 | $ (14,033,062) |

[1] 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. In addition, on behalf payments of $10,506,118, relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

## ONTARIO-MONTCLAIR SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ 4,452,642 | $ 4,333,471 |
| Interest | 1,986,677 | 1,977,000 |
| Changes of assumptions | 1,184,177 | - |
| Benefit payments | (2,131,797) | (2,052,996) |
| **Net change in total OPEB liability** | 5,491,699 | 4,257,475 |
| **Total OPEB liability - beginning** | 53,465,137 | 49,207,662 |
| **Total OPEB liability - ending (a)** | $ 58,956,836 | $ 53,465,137 |
| **Plan Fiduciary Net Position** | | |
| Contributions - employer | $ 2,122,812 | $ 2,044,357 |
| Net investment income | 628,425 | 594,975 |
| Benefit payments | (2,122,812) | (2,044,357) |
| Administrative expense | (102,432) | (73,248) |
| **Net change in plan fiduciary net position** | 525,993 | 521,727 |
| **Plan fiduciary net position - beginning** | 9,570,343 | 9,048,616 |
| **Plan fiduciary net position - ending (b)** | $ 10,096,336 | $ 9,570,343 |
| **District's net OPEB liability - ending (a) - (b)** | $ 48,860,500 | $ 43,894,794 |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 17.12% | 17.90% |
| **Covered-employee payroll** | N/A[1] | N/A[1] |
| **District's net OPEB liability as a percentage of covered-employee payroll** | N/A[1] | N/A[1] |

[1] The District's OPEB Plan is administered through a trust; however the contributions to the trust are not based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

# SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
## FOR THE YEAR ENDED JUNE 30, 2019

| Year ended June 30, | 2019 | 2018 |
|---|---|---|
| District's proportion of the net OPEB liability | 0.3831% | 0.3925% |
| District's proportionate share of the net OPEB liability | $ 1,466,503 | $ 1,651,288 |
| District's covered-employee payroll | N/A[1] | N/A[1] |
| District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll | N/A[1] | N/A[1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.40% | 0.01% |

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| **CalSTRS** | | |
| District's proportion of the net pension liability | 0.2135% | 0.2168% |
| District's proportionate share of the net pension liability | $ 196,180,406 | $ 200,497,590 |
| State's proportionate share of the net pension liability associated with the District | 112,322,458 | 118,612,680 |
| Total | $ 308,502,864 | $ 319,110,270 |
| District's covered - employee payroll | $ 115,359,369 | $ 111,330,723 |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 170% | 180% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 69% |
| **CalPERS** | | |
| District's proportion of the net pension liability | 0.3299% | 0.3225% |
| District's proportionate share of the net pension liability | $ 87,957,904 | $ 76,990,174 |
| District's covered - employee payroll | $ 43,384,805 | $ 41,362,673 |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 203% | 186% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 72% |

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

See accompanying note to required supplementary information.

| 2017 | 2016 | 2015 |
|---|---|---|
| 0.2289% | 0.2340% | 0.2068% |
| $ 185,121,927 | $ 157,517,723 | $ 120,833,772 |
| 105,386,611 | 83,309,511 | 72,964,648 |
| $ 290,508,538 | $ 240,827,234 | $ 193,798,420 |
| $ 109,833,607 | $ 109,831,644 | $ 102,526,352 |
| 169% | 143% | 118% |
| 70% | 74% | 77% |
| 0.3175% | 0.3255% | 0.2986% |
| $ 62,713,529 | $ 47,986,310 | $ 33,902,574 |
| $ 37,662,725 | $ 36,038,807 | $ 31,433,076 |
| 167% | 133% | 108% |
| 74% | 79% | 83% |

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| **CalSTRS** | | |
| Contractually required contribution | $ 18,784,094 | $ 16,646,357 |
| Contributions in relation to the contractually required contribution | 18,784,094 | 16,646,357 |
| Contribution deficiency (excess) | $ - | $ - |
| District's covered - employee payroll | $ 115,381,413 | $ 115,359,369 |
| Contributions as a percentage of covered - employee payroll | 16.28% | 14.43% |
| **CalPERS** | | |
| Contractually required contribution | $ 7,539,195 | $ 6,738,094 |
| Contributions in relation to the contractually required contribution | 7,539,195 | 6,738,094 |
| Contribution deficiency (excess) | $ - | $ - |
| District's covered - employee payroll | $ 41,740,643 | $ 43,384,805 |
| Contributions as a percentage of covered - employee payroll | 18.062% | 15.531% |

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

See accompanying note to required supplementary information.

| 2017 | 2016 | 2015 |
| --- | --- | --- |
| $ 14,005,405 | $ 11,785,146 | $ 9,753,050 |
| 14,005,405 | 11,785,146 | 9,753,050 |
| $ - | $ - | $ - |
| $ 111,330,723 | $ 109,833,607 | $ 109,831,644 |
| 12.58% | 10.73% | 8.88% |
| | | |
| $ 5,744,448 | $ 4,461,903 | $ 4,242,128 |
| 5,744,448 | 4,461,903 | 4,242,128 |
| $ - | $ - | $ - |
| $ 41,362,673 | $ 37,662,725 | $ 36,038,807 |
| 13.888% | 11.847% | 11.771% |

## NOTE 1 - PURPOSE OF SCHEDULES

### Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

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.

| | Expenditures and Other Uses | | |
|---|---|---|---|
| Funds | Budget | Actual* | Excess |
| General Fund | $ 275,723,407 | $ 281,468,497 | $ 5,745,090 |

* Includes on behalf payments of $20,872,804.

### Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Change in Benefit Terms*** – There were no changes in benefit terms.

***Change of Assumptions*** –The General Trust plan rate of investment return assumption was changed from 3.90 percent to 3.60 percent since the previous valuation. The Board of Trustees plan discount rate changed from 3.80 percent to 3.50 percent since the previous valuation.

### Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms*** – There were no changes in the benefit terms since the previous valuation.

***Changes of Assumptions*** – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

# NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
# JUNE 30, 2019

**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 of 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, 2019

| 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 | $ 8,227,917 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 1,071,629 |
| Title III, English Learner Student Program | 84.365 | 14346 | 1,243,245 |
| Title IV, Part A, Student Support and Academic Enrichment Grant | 84.424 | 15396 | 551,343 |
| Title IV, Part A, Student Support and Academic Enrichment Grant Program (SSAE) | 84.424 | 15391 | 364,947 |
| Title IV, Part B, 21st Century Community Learning Centers Program | 84.287 | 14349 | 226,806 |
| Education for Homeless Children and Youth | 84.196 | 14332 | 175,000 |
| Early Intervention Grants | 84.181 | 23761 | 31,105 |
| Special Education (IDEA) Cluster: | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 4,273,665 |
| Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 45,937 |
| Preschool Grants, Part B, Sec 619 (Age 3-4-5) | 84.173 | 13430 | 78,624 |
| Preschool Grant Staff Development, Part B, Sec 619 | 84.173A | 13431 | 2,679 |
| Mental Health Allocation Plan, Part B, Sec 611 | 84.027A | 15197 | 225,978 |
| Alternate Dispute Resolution, Part B, Sec 611 | 84.173A | 13007 | 8,197 |
| Subtotal Special Education (IDEA) Cluster | | | 4,635,080 |
| Total U.S. Department of Education | | | 16,527,072 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through California Department of Health Care Services | | | |
| Medicaid Cluster | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 461,960 |
| Passed through San Bernardino County Superintendent of Schools | | | |
| Medi-Cal Administrative Activities | 93.778 | 10060 | 839,998 |
| Medi-Cal Early and Periodic Screening, Diagnosis and Treatment | 93.778 | 15-260 | 470,935 |
| Subtotal Medicaid Cluster | | | 1,772,893 |
| Passed through San Bernardino County Superintendent of Schools | | | |
| Child Care and Development Cluster | | | |
| Child Care Initiative Project/Resource & Referral Contracts | 93.575 | 13942 | 31,273 |
| Subtotal - Child Care Development Fund Program Cluster | | | 31,273 |
| Passed through County of San Bernardino Human Services System | | | |
| Head Start | 93.600 | 14646 | 189,739 |
| Total U.S. Department of Health and Human Services | | | 1,993,905 |

See accompanying note to supplementary information.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
# FOR THE YEAR ENDED JUNE 30, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the CDE | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program | 10.555 | 13396 | $ 9,351,637 |
| Especially Needy School Breakfast Program | 10.553 | 13526 | 2,711,351 |
| Food Distribution | 10.555 | 13396 | 1,029,378 |
| Seamless Summer Food Program | 10.559 | 13004 | 169,195 |
| Subtotal Child Nutrition Cluster | | | 13,261,561 |
| Child and Adult Care Food Program | 10.558 | 13666 | 1,481,051 |
| NSLP Equipment Assistance Grants | 10.579 | 14906 | 91,896 |
| Fresh Fruit and Vegetable Program | 10.582 | 14968 | 73,350 |
| Total U.S. Department of Agriculture | | | 14,907,858 |
| Total Expenditures of Federal Awards | | | $ 33,428,835 |

See accompanying note to supplementary information.

# LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
# JUNE 30, 2019

## 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 | 2022 |
| Sarah S. Galvez | Vice President | 2020 |
| Kristin Brake | Clerk | 2022 |
| Sonia Alvarado | Member | 2022 |
| Alfonso Sanchez | Member | 2020 |

## 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, 2019

| | Final Report | |
|---|---|---|
| | Second Period Report CB657ADD | Annual Report F4CDF86B |
| Regular ADA | | |
| Transitional kindergarten through third | 8,625.84 | 8,631.05 |
| Fourth through sixth | 6,648.79 | 6,634.67 |
| Seventh and eighth | 4,508.18 | 4,494.88 |
| Total Regular ADA | 19,782.81 | 19,760.60 |
| Extended Year Special Education | | |
| Transitional kindergarten through third | - | 8.50 |
| Fourth through sixth | - | 4.53 |
| Seventh and eighth | - | 2.97 |
| Total Extended Year Special Education | - | 16.00 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Transitional kindergarten through third | 11.80 | 11.44 |
| Fourth through sixth | 25.73 | 24.76 |
| Seventh and eighth | 22.16 | 22.10 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 59.69 | 58.30 |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools | | |
| Transitional kindergarten through third | 0.28 | 0.29 |
| Fourth through sixth | 0.79 | 0.79 |
| Seventh and eighth | 0.67 | 0.67 |
| Total Extended Year Special Education, Nonpublic, Nonsectarian Schools | 1.74 | 1.75 |
| Total ADA | 19,844.24 | 19,836.65 |

See accompanying note to supplementary information.

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME
## FOR THE YEAR ENDED JUNE 30, 2019

| | 1986-87 | 2018-19 | Number of Days | | |
|---|---|---|---|---|---|
| Grade Level | Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar | Status |
| Kindergarten | 36,000 | 40,470 | 180 | N/A | Complied |
| Grades 1 - 3 | 50,400 | | | | |
| Grade 1 | | 54,850 | 180 | N/A | Complied |
| Grade 2 | | 54,850 | 180 | N/A | Complied |
| Grade 3 | | 54,850 | 180 | N/A | Complied |
| Grades 4 - 6 | 54,000 | | | | |
| Grade 4 | | 56,785 | 180 | N/A | Complied |
| Grade 5 | | 56,785 | 180 | N/A | Complied |
| Grade 6 | | 56,785 | 180 | N/A | Complied |
| Grades 7 - 8 | 54,000 | | | | |
| Grade 7 | | 56,785 | 180 | N/A | Complied |
| Grade 8 | | 56,785 | 180 | N/A | Complied |

See accompanying note to supplementary information.

# RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2019

| | (Budget) 2020 [1] | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| GENERAL FUND [3] | | | | |
| Revenues | $ 271,178,195 | $ 288,112,075 | $ 266,703,541 | $ 260,046,103 |
| Other sources and transfers in | 131,694 | 7,713,340 | 4,018,127 | 3,132,999 |
| Total Revenues and Other Sources | 271,309,889 | 295,825,415 | 270,721,668 | 263,179,102 |
| Expenditures | 270,015,916 | 281,468,496 | 268,430,124 | 258,295,534 |
| Other uses and transfers out | 2,086,208 | 11,933,243 | 10,366,429 | 8,101,905 |
| Total Expenditures and Other Uses | 272,102,124 | 293,401,739 | 278,796,553 | 266,397,439 |
| INCREASE (DECREASE) IN FUND BALANCE | $ (792,235) | $ 2,423,676 | $ (8,074,885) | $ (3,218,337) |
| ENDING FUND BALANCE | $ 55,835,119 | $ 56,627,354 | $ 54,203,678 | $ 62,278,563 |
| AVAILABLE RESERVES [2] | $ 8,163,064 | 8,802,053 | $ 8,364,051 | $ 7,981,778 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [4] | 3.0% | 3.1% | 3.0% | 3.0% |
| LONG-TERM OBLIGATIONS | N/A | $ 207,465,239 | $ 158,281,976 | $ 156,273,172 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 | 19,402 | 19,844 | 20,332 | 20,888 |

The General Fund balance has decreased by $5,651,209 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $792,235 (1.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $51,192,067 over the past two years.

Average daily attendance has decreased by 1,044 over the past two years. An additional decline of 442 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] 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

[4] On behalf payments of $10,506,118 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING BALANCE SHEET
## JUNE 30, 2019

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 527,132 | $ 4,618,869 | $ 247 | $ 4,830,090 |
| Receivables | 579,150 | 3,310,265 | 1 | 58,522 |
| Due from other funds | 19,291 | 2,910 | - | - |
| Stores inventories | - | 289,803 | - | - |
| **Total Assets** | $ 1,125,573 | $ 8,221,847 | $ 248 | $ 4,888,612 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | $ 248,226 | $ 388,895 | $ - | $ 26,657 |
| Due to other funds | 604,179 | 1,121,513 | - | 2,920 |
| **Total Liabilities** | 852,405 | 1,510,408 | - | 29,577 |
| **Fund Balances:** | | | | |
| Nonspendable | - | 326,353 | - | - |
| Restricted | 141,620 | 6,385,086 | - | 4,859,035 |
| Committed | - | - | 248 | - |
| Assigned | 131,548 | - | - | - |
| **Total Fund Balances** | 273,168 | 6,711,439 | 248 | 4,859,035 |
| **Total Liabilities and Fund Balances** | $ 1,125,573 | $ 8,221,847 | $ 248 | $ 4,888,612 |

See accompanying note to supplementary information.

| County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| $ 2,031,633 | $ 14,167,934 | $ 13,298,746 | $ 19,864,752 | $ 59,339,403 |
| 16,867 | 76,259 | - | - | 4,041,064 |
| - | 4,356,337 | - | - | 4,378,538 |
| - | - | - | - | 289,803 |
| $ 2,048,500 | $ 18,600,530 | $ 13,298,746 | $ 19,864,752 | $ 68,048,808 |
| | | | | |
| $ 541,411 | $ 948,026 | $ - | $ - | $ 2,153,215 |
| - | - | - | - | 1,728,612 |
| 541,411 | 948,026 | - | - | 3,881,827 |
| | | | | |
| - | - | - | - | 326,353 |
| 1,507,089 | - | 13,298,746 | 19,864,752 | 46,056,328 |
| - | - | - | - | 248 |
| - | 17,652,504 | - | - | 17,784,052 |
| 1,507,089 | 17,652,504 | 13,298,746 | 19,864,752 | 64,166,981 |
| | | | | |
| $ 2,048,500 | $ 18,600,530 | $ 13,298,746 | $ 19,864,752 | $ 68,048,808 |

## ONTARIO-MONTCLAIR SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED JUNE 30, 2019

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Federal sources | $ 221,012 | $ 14,907,859 | $ - | $ - |
| Other State sources | 3,277,456 | 1,230,710 | - | - |
| Other local sources | 167,998 | 281,951 | 4 | 1,444,269 |
| **Total Revenues** | 3,666,466 | 16,420,520 | 4 | 1,444,269 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Instruction | 3,132,261 | - | - | - |
| Instruction-related activities: | | | | |
| Supervision of instruction | 268,685 | - | - | - |
| School site administration | 144,558 | - | - | - |
| Pupil services: | | | | |
| Food services | - | 14,902,716 | - | - |
| All other pupil services | 20,936 | - | - | - |
| Administration: | | | | |
| All other administration | 193,461 | 825,734 | - | 13,960 |
| Plant services | 1,091 | 769,925 | - | 76,702 |
| Facility acquisition and construction | - | - | - | 362,003 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and other | - | - | - | - |
| **Total Expenditures** | 3,760,992 | 16,498,375 | - | 452,665 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (94,526) | (77,855) | 4 | 991,604 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 64,080 | - | - | - |
| Other sources - proceeds from issuance of general obligation bond | - | - | - | - |
| Transfers out | - | - | - | - |
| **Net Financing Sources (Uses)** | 64,080 | - | - | - |
| **NET CHANGE IN FUND BALANCES** | (30,446) | (77,855) | 4 | 991,604 |
| **Fund Balances - Beginning** | 303,614 | 6,789,294 | 244 | 3,867,431 |
| **Fund Balances - Ending** | $ 273,168 | $ 6,711,439 | $ 248 | $ 4,859,035 |

See accompanying note to supplementary information.

| County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 15,128,871 |
| - | - | 55,468 | - | 4,563,634 |
| 93,165 | 276,667 | 8,470,629 | 313,582 | 11,048,265 |
| 93,165 | 276,667 | 8,526,097 | 313,582 | 30,740,770 |
| | | | | |
| - | - | - | - | 3,132,261 |
| | | | | |
| - | - | - | - | 268,685 |
| - | - | - | - | 144,558 |
| | | | | |
| - | - | - | - | 14,902,716 |
| - | - | - | - | 20,936 |
| | | | | |
| - | - | - | - | 1,033,155 |
| 910,754 | - | - | - | 1,758,472 |
| 3,082,942 | 3,601,396 | - | - | 7,046,341 |
| | | | | |
| - | - | 5,325,000 | - | 5,325,000 |
| - | - | 3,619,945 | 730,425 | 4,350,370 |
| 3,993,696 | 3,601,396 | 8,944,945 | 730,425 | 37,982,494 |
| | | | | |
| (3,900,531) | (3,324,729) | (418,848) | (416,843) | (7,241,724) |
| | | | | |
| - | 7,516,088 | - | - | 7,580,168 |
| | | | | |
| - | - | 3,882,736 | - | 3,882,736 |
| - | (1,252,755) | - | - | (1,252,755) |
| - | 6,263,333 | 3,882,736 | - | 10,210,149 |
| (3,900,531) | 2,938,604 | 3,463,888 | (416,843) | 2,968,425 |
| 5,407,620 | 14,713,900 | 9,834,858 | 20,281,595 | 61,198,556 |
| $ 1,507,089 | $ 17,652,504 | $ 13,298,746 | $ 19,864,752 | $ 64,166,981 |

## 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 of Medi-Cal Billing Options funds which have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, 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: | | $ 33,512,391 |
| Medi-Cal Billing Option | 93.778 | 83,556 |
| Medi-Cal Early and Periodic Screening, Diagnosis and Treatment | 93.778 | (167,112) |
| Total Schedule of Expenditures of Federal Awards | | $ 33,428,835 |

### 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.

# NOTE TO SUPPLEMENTARY INFORMATION
# JUNE 30, 2019

**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 has met 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.

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# INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Ontario-Montclair School District
Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ontario-Montclair School District (the District) as of and for the year ended June 30, 2019, 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 12, 2019.

**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 12, 2019.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2019

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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 requirement 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, 2019. 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.

***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, 2019.

**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.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2019

# 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 *2018-2019 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, 2019.

### *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 *2018-2019 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, 2019.



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*Other Matters*

We noted certain matters that we reported to management of Ontario-Montclair School District in a separate letter dated December 12, 2019. (use this only if state compliance findings are part of management letter)

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 |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS | |
| California Clean Energy Jobs Act | Yes |
| After/Before 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 |

| | Procedures Performed |
|---|---|
| CHARTER SCHOOLS | |
| Attendance | No, see below |
| Mode of Instruction | No, see below |
| Nonclassroom-Based Instruction/Independent Study for Charter Schools | No, see below |
| Determination of Funding for Nonclassroom-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 Attendance 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 any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2019

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# Schedule of Findings and Questioned Costs

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# SUMMARY OF AUDITOR'S RESULTS
# FOR THE YEAR ENDED JUNE 30, 2019

## 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 Number | Name of Federal Program or Cluster |
|---|---|
| 84.010 | Title I, Part A, Basic Grants Low-Income and Neglected |
| 84.367 | Title II, Part A, Supporting Effective Education |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 1,002,865 |
| Auditee qualified as low-risk auditee? | Yes |

## STATE AWARDS

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

## FINANCIAL STATEMENT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2019

None reported.

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2019

None reported.

## STATE AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2019

None reported.

## ONTARIO-MONTCLAIR SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

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Management
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, 2019, 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 12, 2019, on the government-wide financial statements of the District.

## *INTERNAL CONTROLS*

### *Local Revenue*

Observation

During our review of the District's receipt and deposit of General Fund local revenues, we noted that five of 41 deposits tested were not deposited in a timely manner. The delay in deposits ranged from 14 to 197 days. Delays in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should adhere to its established procedures related to frequency of deposits. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

### *Travel and Conference*

Observation

Five of 40 travel and conference disbursements selected for testing were not approved in advance of registration for the conference. This could potentially lead to expenditures of questionable nature if disbursements are not approved in advance.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is approved in advance. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.



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*ASSOCIATED STUDENT BODY (ASB)*

***Lehigh Elementary School***

Observation

During our review of cash receipting procedures, we noted that one of two deposit batches tested was not deposited in a timely manner. The delay in deposit was approximately 44 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. 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.

***Mariposa Elementary School***

Observation

Based on our review of the cash receipting procedures, we noted that five of nine deposit batches tested were not deposited in a timely manner. The delay in deposits ranged from approximately 14 to 43 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. 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 our review of the disbursement procedures, we noted that one of two expenditures selected for testing was not adequately supported by an invoice.

Recommendation

The site should maintain proper documentation of expenditures including invoices and receipts. The ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.

***Richard Haynes Elementary School***

Observation

Based on our review of the cash receipting procedures, we noted that two of six deposit batches tested were not deposited in a timely manner. The delay in deposits ranged from approximately 11 to 16 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. 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.

***Serrano Middle School***

Observation

Based on our review of the cash receipting procedures, we noted that two of three deposit batches tested were not deposited in a timely manner. The delay in deposits ranged from approximately 14 to 52 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. 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 our review of the disbursement procedures, we noted that one of eight disbursements tested was not approved prior to the transaction 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 approved in advance.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are approved in advance 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.

***Vernon Middle School***

Observation

Based on our review of the cash receipting procedures, we noted that two deposit batches tested were not deposited in a timely manner. The delay in deposits ranged from approximately 59 to 74 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. 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 our review of the disbursement procedures, we noted that four of seven disbursements tested were not approved prior to the transaction 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 approved in advance.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are approved in advance 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.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2019