



**LA CAÑADA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LA CAÑADA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2016

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds - Statement of Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	64
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	65
Schedule of the District's Proportionate Share of the Net Pension Liability	66
Schedule of District Contributions	67
Notes to Required Supplementary Information	68

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	70
Local Education Agency Organization Structure	71
Schedule of Average Daily Attendance	72
Schedule of Instructional Time	73
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	74
Schedule of Financial Trends and Analysis	75
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	77
Note to Supplementary Information	78

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	81
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	83
Report on State Compliance	85

LA CAÑADA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	89
Financial Statement Findings	90
Federal Awards Findings and Questioned Costs	91
State Awards Findings and Questioned Costs	92
Summary Schedule of Prior Audit Findings	93

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
La Cañada Unified School District
La Cañada Flintridge, 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 La Cañada Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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 La Cañada Unified School District, as of June 30, 2016, and the respective changes in financial position 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, schedule of other postemployment benefits funding progress, schedule of the District's proportionate share of net pension liability, and the schedule of District contributions on pages 64 through 67, 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 La Cañada Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the La Cañada Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Cañada Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California

December 1, 2016

Wendy K. Sinnette
Superintendent

Anaïs Wenn
Assistant Superintendent
Educational Services

Mark Evans
Chief Business and
Operations Officer

Dr. Jeff Davis
Assistant Superintendent
Human Resources

Jamie Lewsadder
Chief Technology Officer

La Cañada Unified School District

**a learning community committed to personal growth and
academic excellence**



This section of the La Cañada Unified 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 June 30, 2016, with comparative information from the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements, and the basic government-wide financial statements to enhance understanding of the District's financial performance.

La Cañada Unified School District serves approximately 4,092 students in grades TK - 12. There are three elementary schools, and one combined junior high and high school. Approximately 400 certificated and classified employees provide for the academic and support needs of the District's students. The District is located in La Cañada Flintridge, California.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve 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, and parcel tax 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. 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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the *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 *Statements 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 \$8,651,674 for the fiscal year ended June 30, 2016. Of this amount, \$(27,075,277) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015 as Restated
Assets		
Current and other assets	\$ 18,579,015	\$ 17,722,668
Capital assets	56,114,189	56,064,679
Total Assets	<u>74,693,204</u>	<u>73,787,347</u>
Deferred Outflows of Resources	<u>8,612,479</u>	<u>2,166,367</u>
Liabilities		
Current liabilities	5,339,023	5,259,693
Long-term obligations/bonded debt ¹	29,391,624	31,015,993
Aggregate net pension liability	33,450,267	26,181,940
Total Liabilities	<u>68,180,914</u>	<u>62,457,626</u>
Deferred Inflows of Resources	<u>6,473,095</u>	<u>6,918,695</u>
Net Position		
Net investment in capital assets	30,706,141	29,882,971
Restricted	5,020,810	4,810,924
Unrestricted (Deficit)	(27,075,277)	(28,116,502)
Total Net Position	<u>\$ 8,651,674</u>	<u>\$ 6,577,393</u>

¹ Reflects voter approved/paid General Obligation Bond payment obligations.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The \$(27,075,277) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 616,222	\$ 634,468
Operating grants and contributions	4,931,680	4,384,984
General revenues:		
Federal and State aid not restricted	16,624,798	13,670,403
Property taxes	22,476,675	20,790,883
Other general revenues	7,726,013	7,100,080
Total Revenues	52,375,388	46,580,818
Expenses		
Instruction-related	35,353,576	32,230,608
Student support services	3,828,241	3,382,731
Administration and technology ¹	3,663,687	3,930,542
Maintenance and operations	4,947,302	5,332,058
Other	2,508,301	2,995,318
Total Expenses	50,301,107	47,871,257
Change in Net Position	\$ 2,074,281	\$ (1,290,439)

¹ Information technology expenses totaled \$1,261,704 in 2015-2016.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of the District governmental activities this year was \$50,301,107. However, the amount that the District taxpayers ultimately financed for these activities through local taxes was only \$22,476,675 because the cost was paid by those who benefited from the programs \$616,222 or by other governmental agencies and organizations who subsidized certain programs with grants and contributions of \$4,931,680. The District paid for the remaining "public benefit" portion of the District governmental activities with \$24,350,811 in Federal and State funds, and with other general revenues, such as interest and general entitlements.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In Table 3, we have presented the cost and net cost of each of the District's governmental activities by function. 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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction-related	\$ 35,353,576	\$ 32,230,608	\$ 30,806,390	\$ 28,296,635
Pupil services	3,828,241	3,382,731	3,016,489	2,560,567
Administration and technology	3,663,687	3,930,542	3,474,723	3,798,194
Maintenance and operations	4,947,302	5,332,058	4,947,302	5,201,091
Other	2,508,301	2,995,318	2,508,301	2,995,318
Total	\$ 50,301,107	\$ 47,871,257	\$ 44,753,205	\$ 42,851,805

Instruction-related activities comprise approximately 70.28 percent of expenses. Pupil Services including home-to-school transportation and food services equal 7.61 percent of expenses. Administrative expenses, including Informational Services and Technology, represent 7.31 percent of expenses, and Maintenance and Operations, including facilities acquisition, construction, and other expenses represent 14.83 percent of expenses.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$14,496,416, which is an increase of \$801,370 from last year (Table 4). The increase reflects one-time funding that will be expensed in the 2017 fiscal year.

Table 4

	Balances and Activity			
	July 1, 2015	Revenues	Expenditures	June 30, 2016
General Fund	\$ 7,994,049	\$ 45,875,457	\$ 45,187,311	\$ 8,682,195
Special Reserve Fund for				
Capital Outlay Projects	1,624,852	1,139,724	1,112,373	1,652,203
Bond Interest and Redemption Fund	3,768,163	4,134,879	4,071,164	3,831,878
Cafeteria Fund	30,164	830,360	843,937	16,587
Building Fund	218	-	218	-
Capital Facilities Fund	277,600	313,469	277,516	313,553
Total	\$ 13,695,046	\$ 52,293,889	\$ 51,492,519	\$ 14,496,416

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The primary reasons for the changes are:

- a. With stronger economic stability, the District was able to negotiate a 4.00 percent salary increase for all classified employees and a 4.25 percent for certificated employees which were the primary reason for the change.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgetary fund is the General Fund.

The District begins the budget process in January of each year. By law, the Governing Board must adopt a Final Budget by June 30. A proposed Final Budget is presented in June, which reflects the latest known financial information, including the Governor's May Revise of the State budget. The Final Budget is presented in June, first at a public hearing, followed by adoption in late June. During the course of the fiscal year, the District revises its budget as it addresses various changes to previously established revenue and expenditure projections.

These reports include revisions based on the adopted State budget that are presented to the Governing Board in August, the report of prior year (unaudited) revenue and expenditure information presented in early September, and the First and Second Interim Financial reports presented respectively in December and March.

Over the course of the year, the District revises its budget as necessary to address unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64).

The District continued to implement the State Local Control Funding Formula for 2015-2016 and has reflected this funding model in the 2015-2016 and multiyear budgets.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$56,114,189 in a broad range of capital assets (net of depreciation), including land and construction in progress, buildings and improvements, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$49,510, or .09 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2016	2015
Land and construction in progress	\$ 1,811,051	\$ 1,166,697
Buildings and improvements	53,832,289	54,640,108
Equipment	470,849	257,874
Total	\$ 56,114,189	\$ 56,064,679

This fiscal year's additions of approximately \$1,800,000 for infrastructure, technology, and exterior enhancement of building and equipment.

Long-Term Obligations

At the end of this year, the District's voter-approved debt was \$24,318,871 in bonds outstanding versus \$25,959,039 last year, a decrease of 6.32 percent. Those bonds consisted of:

Table 6

	2016	2015
General obligation bonds (voter-approved)	<u>\$ 24,318,871</u>	<u>\$ 25,959,039</u>

The District's general obligation bond rating continues to be "Aa2/AA". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$24,318,871 is significantly below the statutorily-imposed limit.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$33,450,267 as a result of implementing GASB Statement No. 68.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Other Long-Term Obligations

Other obligations include compensated absences payable, postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Table 7

	Governmental Activities	
	2016	2015
Compensated absences	\$ 226,023	\$ 237,156
Premium on debt	889,330	957,740
Other long-term obligation - sewer system	199,847	211,913
PARS supplemental retirement plan	374,802	678,135
OPEB	3,382,751	2,972,010
Total	\$ 5,072,753	\$ 5,056,954

FINANCIAL HIGHLIGHTS

- General revenues (primarily State and Federal sources and property taxes and local revenue) accounted for \$46,827,486 in revenue or 89 percent of all revenues. Program revenues (restricted programs) accounted for \$5,547,902 or 11 percent of total revenue of \$52,375,388.
- Expenses in the governmental funds were \$49,209,157; \$5,547,902 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$46,827,486 were adequate to provide the remaining \$43,661,255 required for these programs. This resulted in a positive/negative change in total Net Position of \$3,166,231 as described in Table 2.
- The General Fund reported a positive fund balance of \$8,682,195 of which \$5,891,214 is designated for economic uncertainties and other designations, including the required reserve balance.
- The La Cañada Flintridge Educational Foundation funded \$2,100,000 during 2015-2016.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the governing board and management used a variety of budgetary assumptions.

The key assumptions in our forecast included:

- Student enrollment trends reflected an increase for 2016-2017 of approximately 41 students.
- Projected retirement of staff of approximately four employees.
- Increased costs associated with employee compensation (step and column).
- Special Education Program expenditures will continue to be monitored fiscally to ensure compliance of maintenance of effort requirements.
- Utility increase of approximately eight percent.
- Parcel Tax Revenue of approximately \$2.6 million.
- Deferred Maintenance contribution of approximately \$441,448 from General Fund.

As the District prepares for the 2016-2017 and beyond, the fiscal impact on the District of the State of California's overall revenue remains unknown. La Cañada Unified School District received 64 percent of its General Fund Local Control Funding Formula funds from the State of California in 2016-2017. The District is, therefore, highly dependent on State revenue. The District will continue to closely monitor enrollment in the coming years. With careful planning and monitoring of its finances, the Governing Board of the La Cañada Unified School District believes that it can continue to provide a quality educational program for students.

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 funding it receives. If you have questions about this report or need any additional financial information, please contact Business Services, at La Cañada School District, 4490 Cornishon Avenue, La Cañada, California, 91011, or e-mail at mevans@lcsd.net.

LA CAÑADA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 16,861,150
Receivables	1,465,735
Prepaid expenses	135,321
Stores inventories	19,627
Other current assets	97,182
Capital assets:	
Land and construction in progress	1,811,051
Other capital assets	91,516,143
Less: Accumulated depreciation	<u>(37,213,005)</u>
Total Capital Assets, Net	<u>56,114,189</u>
Total Assets	<u>74,693,204</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>8,612,479</u>
 LIABILITIES	
Accounts payable	3,754,605
Accrued interest	1,256,424
Unearned revenue	327,994
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,848,084
Noncurrent portion of long-term obligations other than pensions	<u>27,543,540</u>
Total Long-Term Obligations ¹	29,391,624
Aggregate net pension liability	<u>33,450,267</u>
Total Liabilities	<u>68,180,914</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>6,473,095</u>
 NET POSITION	
Net investment in capital assets	30,706,141
Restricted for:	
Debt service	2,575,454
Capital projects	1,965,756
Educational programs	463,013
Other activities	16,587
Unrestricted (Deficit)	<u>(27,075,277)</u>
Total Net Position	<u>\$ 8,651,674</u>

¹ Includes \$24,318,871 of voter approved General Obligation Bonds.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 29,881,226	\$ -	\$ 4,052,003	\$ (25,829,223)
Instruction-related activities:				
Supervision of instruction	1,369,343	-	378,349	(990,994)
Instructional library, media, and technology	1,097,108	-	-	(1,097,108)
School site administration	3,005,899	-	116,834	(2,889,065)
Pupil services:				
Home-to-school transportation	387,628	-	-	(387,628)
Food services	791,207	587,059	26,613	(177,535)
All other pupil services	2,649,406	-	198,080	(2,451,326)
Administration:				
Information technology	1,282,521	-	-	(1,282,521)
All other administration	2,381,166	29,163	159,801	(2,192,202)
Plant services	4,947,302	-	-	(4,947,302)
Ancillary services	55,915	-	-	(55,915)
Community services	62,513	-	-	(62,513)
Interest on long-term obligations	2,374,873	-	-	(2,374,873)
Other outgo	15,000	-	-	(15,000)
Total Governmental Activities	\$ 50,301,107	\$ 616,222	\$ 4,931,680	(44,753,205)
General Revenues and Subventions:				
				15,775,993
Property taxes, levied for general purposes				4,112,965
Property taxes, levied for debt service				2,587,717
Taxes levied for other specific purposes				16,624,798
Federal and State aid not restricted to specific purposes				104,712
Interest and investment earnings				7,621,301
Miscellaneous				<u>46,827,486</u>
Subtotal, General Revenues				<u>2,074,281</u>
Change in Net Position				<u>6,577,393</u>
Net Position - Beginning				<u>\$ 8,651,674</u>
Net Position - Ending				

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 10,109,241	\$ 2,459,424	\$ 3,831,878
Receivables	1,359,109	67,910	-
Prepaid expenditures	135,321	-	-
Stores inventories	19,627	-	-
Other current assets	97,182	-	-
Total Assets	\$ 11,720,480	\$ 2,527,334	\$ 3,831,878
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,777,859	\$ 866,391	\$ -
Unearned revenue	260,426	8,740	-
Total Liabilities	3,038,285	875,131	-
Fund Balances:			
Nonspendable	160,948	-	-
Restricted	463,013	1,652,203	3,831,878
Committed	490,000	-	-
Assigned	1,677,020	-	-
Unassigned	5,891,214	-	-
Total Fund Balance	8,682,195	1,652,203	3,831,878
Total Liabilities and Fund Balances	\$ 11,720,480	\$ 2,527,334	\$ 3,831,878

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

Non Major Governmental Funds	Total Governmental Funds
\$ 460,607	\$ 16,861,150
38,716	1,465,735
-	135,321
-	19,627
-	97,182
<u>\$ 499,323</u>	<u>\$ 18,579,015</u>

\$ 110,355	\$ 3,754,605
58,828	327,994
<u>169,183</u>	<u>4,082,599</u>
-	160,948
330,140	6,277,234
-	490,000
-	1,677,020
-	5,891,214
<u>330,140</u>	<u>14,496,416</u>
<u>\$ 499,323</u>	<u>\$ 18,579,015</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 14,496,416
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:	\$ 93,327,194	
Accumulated depreciation is:	<u>(37,213,005)</u>	
Net Capital Assets		56,114,189
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,695,559
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.		(1,256,424)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		2,332,198
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(2,412,073)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(67,334)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(408,966)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(33,450,267)
Long-term obligations at year-end consist of:		
General obligation bonds payable	(24,318,871)	
Premium on debt	(889,330)	
Compensated absences (vacations)	(226,023)	
Other long-term obligation - sewer system	(199,847)	
PARS supplemental retirement plan	(374,802)	
Other postemployment benefits	<u>(3,382,751)</u>	
Total Long-Term Obligations		(29,391,624)
Total Net Position - Governmental Activities		<u>\$ 8,651,674</u>

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Bond Interest and Redemption Fund</u>
REVENUES			
Local Control Funding Formula	\$ 29,522,148	\$ -	\$ -
Federal sources	892,201	-	-
Other State sources	6,871,606	-	18,296
Other local sources	8,589,502	309,506	4,116,583
Total Revenues	<u>45,875,457</u>	<u>309,506</u>	<u>4,134,879</u>
EXPENDITURES			
Current			
Instruction	27,537,968	-	-
Instruction-related activities:			
Supervision of instruction	1,285,123	-	-
Instructional library, media, and technology	1,036,336	-	-
School site administration	2,810,832	-	-
Pupil services:			
Home-to-school transportation	268,292	-	-
Food services	1,453	-	-
All other pupil services	2,554,511	-	-
Administration:			
Information technology	1,292,900	-	-
All other administration	1,987,722	-	-
Plant services	5,038,407	102,527	-
Facility acquisition and construction	291,808	943,846	-
Ancillary services	55,113	-	-
Community services	61,846	-	-
Debt service			
Principal	-	-	1,640,168
Interest and other	-	-	2,430,996
Total Expenditures	<u>44,222,311</u>	<u>1,046,373</u>	<u>4,071,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,653,146</u>	<u>(736,867)</u>	<u>63,715</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	830,218	-
Transfers out	(950,000)	(66,000)	-
Other uses	(15,000)	-	-
Net Financing Sources (Uses)	<u>(965,000)</u>	<u>764,218</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	688,146	27,351	63,715
Fund Balances - Beginning	7,994,049	1,624,852	3,768,163
Fund Balances - Ending	<u>\$ 8,682,195</u>	<u>\$ 1,652,203</u>	<u>\$ 3,831,878</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 29,522,148
43,709	935,910
507	6,890,409
913,613	13,929,204
<u>957,829</u>	<u>51,277,671</u>
-	27,537,968
-	1,285,123
-	1,036,336
-	2,810,832
-	268,292
803,697	805,150
-	2,554,511
-	1,292,900
59,702	2,047,424
-	5,140,934
258,054	1,493,708
-	55,113
-	61,846
-	1,640,168
-	2,430,996
<u>1,121,453</u>	<u>50,461,301</u>
<u>(163,624)</u>	<u>816,370</u>
186,000	1,016,218
(218)	(1,016,218)
-	(15,000)
<u>185,782</u>	<u>(15,000)</u>
22,158	801,370
307,982	13,695,046
<u>\$ 330,140</u>	<u>\$ 14,496,416</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds		\$ 801,370
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.		(376,615)
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	1,810,079	
Depreciation expense	<u>\$ (1,760,569)</u>	
Net Expense Adjustment		49,510
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures on these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$11,133.		11,133
In the Statement of Activities, Other Post Employment Benefits (OPEB) Obligations are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$410,741.		(410,741)
In the Statement of Activities, certain operating expenses special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts paid were in the amount of \$303,333.		303,333
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	1,640,168	
Other long-term obligations - sewer system	12,066	
		1,652,234

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2016

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 financial resources are available.

This adjustment combines the net changes of the following balance:

Amortization of premium on debt	\$ 68,410
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(24,353)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,074,281</u></u>

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS - ASSOCIATED STUDENT BODY FUNDS	
Deposits and investments	\$ 628,228
LIABILITIES	
Due to student groups	\$ 628,228

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The La Cañada Unified School District (the District) was unified on July 1, 1961, 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 TK - 12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, and one combined junior high and high school.

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 La Cañada Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of the taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes the component unit discussed below is not reported in the District's financial statements. The component unit did not meet the criteria established in Government Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No. 39 based on its significance and relationship to the District. However, based on the reasons indicated below the La Cañada Flintridge Educational Foundation is not included in this report.

The La Cañada Flintridge Educational Foundation The La Cañada Flintridge Educational Foundation (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for La Cañada Unified School District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the year ended June 30, 2016, the Foundation contributed approximately \$2,100,000 to 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 two broad fund categories: governmental and fiduciary.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

Three 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 14, Deferred Maintenance Fund, 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 of combining Funds 14, 17, and 20, the General Fund has an additional expenses, revenues, and assets of \$348,595, \$718,280, and \$3,007,435, respectively.

Special Reserve Fund for Capital Outlay Projects (40) 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).

Bond Interest and Redemption Fund (51) The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund (13) 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).

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund (21) The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund (25) The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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 student body activities (ASB).

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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 60 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 restrictions. 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 in the entity-wide statements.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General and Debt Service Funds represent investments required by debt covenants, and existing government code, to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance, and state reporting requirements.

Prepaid Expenditures

Prepaid expenditures 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 paid.

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 funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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 Statement of Net Position. The valuation basis for capital assets is 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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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 financial statements. 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

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Debt premiums and discounts related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three and one-half 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 \$5,020,810 of restricted net position.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in 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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

New Accounting Pronouncements

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

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

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 16,861,150
Fiduciary funds	628,228
Total Deposits and Investments	<u>\$ 17,489,378</u>

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

Cash on hand and in banks	\$ 631,728
Cash in revolving	6,000
Investments	16,851,650
Total Deposits and Investments	<u>\$ 17,489,378</u>

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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Pool and money market mutual funds.

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	Carrying Value	Fair Value	Weighted Average Maturity In Days
Los Angeles County Investment Pool	<u>\$ 16,851,650</u>	<u>\$ 16,871,333</u>	608

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			S&P	Moody's
Los Angeles County Investment Pool	<u>\$ 16,871,333</u>	Not required	AA+	Aa2

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District has \$971,789 in bank deposits with financial institutions exposed to custodial credit risk.

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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 reasonable 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 Los Angeles 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, 2016:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 16,871,333	\$ 16,871,333

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

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

	General Fund	Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 502,080	\$ -	\$ 2,883	\$ 504,963
State Government				
Categorical aid	199,925	-	68	199,993
Lottery	439,975	-	-	439,975
Local Government				
Interest	34,441	1,139	1,382	36,962
Other Local Sources	182,688	66,771	34,383	283,842
Total	\$ 1,359,109	\$ 67,910	\$ 38,716	\$ 1,465,735

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 926,963	\$ -	\$ -	\$ 926,963
Construction in Progress	239,734	884,088	239,734	884,088
Total Capital Assets Not Being Depreciated	1,166,697	884,088	239,734	1,811,051
Capital Assets Being Depreciated:				
Land Improvements	2,577,745	30,037	-	2,607,782
Buildings and Improvements	83,511,893	851,959	-	84,363,852
Furniture and Equipment	4,260,780	283,729	-	4,544,509
Total Capital Assets Being Depreciated	90,350,418	1,165,725	-	91,516,143
Total Capital Assets	91,517,115	2,049,813	239,734	93,327,194
Less Accumulated Depreciation:				
Land Improvements	1,574,368	97,948	-	1,672,316
Buildings and Improvements	29,875,162	1,591,867	-	31,467,029
Furniture and Equipment	4,002,906	70,754	-	4,073,660
Total Accumulated Depreciation	35,452,436	1,760,569	-	37,213,005
Governmental Activities Capital Assets, Net	\$ 56,064,679	\$ 289,244	\$ 239,734	\$ 56,114,189

Depreciation expense was charged as a direct expense to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,154,053
Supervision of instruction	40,141
Instructional library, media, and technology	20,951
School site administration	119,014
Home-to-school transportation	19,894
All other pupil services	94,895
Information technology	22,535
All other administration	289,086
Total Depreciation Expenses Governmental Activities	\$ 1,760,569

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

Transfer To	Transfer From		Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	
Special Reserve Fund for Capital Outlay Projects Building Fund	\$ 830,218	\$ -	\$ 830,218
	120,000	66,000	186,000
Total	\$ 950,218	\$ 66,000	\$ 1,016,218

The General Fund transferred to the Non-Major Cafeteria Fund for cash flow purposes.	\$ 120,000
The Special Reserve Fund for Other Than Capital Outlay Projects transferred to the Non-Major Cafeteria Fund for cash flow purposes.	66,000
The General Fund transferred to the non-major Special Reserve Fund for Other Than Capital Outlay Projects for replacement of high school field.	830,218
Total	\$ 1,016,218

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 840,165	\$ 860,290	\$ 103,738	\$ 1,804,193
State apportionment	302,583	-	-	302,583
Salaries and benefits	1,635,111	6,101	6,617	1,647,829
Total	\$ 2,777,859	\$ 866,391	\$ 110,355	\$ 3,754,605

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 18,208	\$ -	\$ -	\$ 18,208
State categorical aid	237,263	-	-	237,263
Other local	4,955	8,740	58,828	72,523
Total	<u>\$ 260,426</u>	<u>\$ 8,740</u>	<u>\$ 58,828</u>	<u>\$ 327,994</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 25,959,039	\$ -	\$ 1,640,168	\$ 24,318,871	\$ 1,691,395
Premium on debt	957,740	-	68,410	889,330	-
Compensated absences	237,156	-	11,133	226,023	-
Other long-term obligations - sewer system	211,913	-	12,066	199,847	31,755
PARS supplemental retirement plan	678,135	-	303,333	374,802	124,934
Net OPEB Obligation	2,972,010	539,232	128,491	3,382,751	-
Total	<u>\$ 31,015,993</u>	<u>\$ 539,232</u>	<u>\$ 2,163,601</u>	<u>\$ 29,391,624</u>	<u>\$ 1,848,084</u>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for OPEB obligation are made in the General Fund.
- Payments for other long-term obligations are made to the City of La Cañada Flintridge for installation of the two sewer systems in the General Fund.
- Payments for PARS Supplemental Retirement Plan are made in the General Fund.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2015	Issued	Redeemed	Outstanding June 30, 2016
8/15/1995	8/1/2020	4.10-6.60%	\$ 14,999,979	\$ 2,959,039	\$ -	\$ 520,168	\$ 2,438,871
3/1/2000	8/1/2025	4.00-5.65%	3,500,000	1,830,000	-	-	1,830,000
7/1/2004	8/1/2017	3.00-5.00%	15,000,000	1,120,000	-	550,000	570,000
7/1/2008	8/1/2029	4.00-5.00%	5,800,000	4,165,000	-	300,000	3,865,000
2/1/2009	8/1/2032	2.00-5.39%	4,200,000	4,125,000	-	-	4,125,000
10/27/11	8/1/2028	2.75-5.00%	12,440,000	11,760,000	-	270,000	11,490,000
				<u>\$ 25,959,039</u>	<u>\$ -</u>	<u>\$ 1,640,168</u>	<u>\$ 24,318,871</u>

Debt Service Requirements to Maturity

In August 1995, the District issued \$14,999,979 in Election 1995 General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2020 and yield interest ranging from 4.10 percent to 6.60 percent. At June 30, 2016, the principal balance outstanding was \$2,438,871.

The District's bonds mature through 2021, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 506,395	\$ 1,443,605	\$ 1,950,000
2018	499,134	1,550,866	2,050,000
2019	485,384	1,664,616	2,150,000
2020	477,090	1,777,910	2,255,000
2021	470,868	1,904,132	2,375,000
Total	<u>\$ 2,438,871</u>	<u>\$ 8,341,129</u>	<u>\$ 10,780,000</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In March 2000, the District issued \$3,500,000 in Election 1999 General Obligation Bonds, Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2025 and yield interest ranging from 4.00 percent to 5.65 percent. On October 27, 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund \$685,000, a portion of the bonds. At June 30, 2016, the principal balance outstanding was \$1,830,000.

The District's bonds mature through 2026, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ -	\$ 105,225	\$ 105,225
2018	160,000	105,225	265,225
2019	170,000	96,025	266,025
2020	180,000	86,250	266,250
2021	190,000	75,900	265,900
2022-2026	1,130,000	202,113	1,332,113
Total	<u>\$ 1,830,000</u>	<u>\$ 670,738</u>	<u>\$ 2,500,738</u>

In July 2004, the District issued \$15,000,000 in Election 2004 General Obligation Bonds, Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2017 and yield interest ranging from 3.00 percent to 5.00 percent. On October 27, 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund a portion of the bonds. As a result, \$9,475,000 Series A Current Interest Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. The outstanding principal amount of the defeased debt as of June 30, 2016, was \$9,475,000. At June 30, 2016, the principal balance outstanding was \$570,000.

The District's bonds mature through 2017, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	<u>\$ 570,000</u>	<u>\$ 527,538</u>	<u>\$ 1,097,538</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In July 2008, the District issued \$5,800,000 in Election 2004 General Obligation Bonds, Series B. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2029 and yield interest ranging from 4.00 percent to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$3,865,000.

The District's bonds mature through 2030, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 270,000	\$ 185,250	\$ 455,250
2018	300,000	175,125	475,125
2019	325,000	160,125	485,125
2020	300,000	143,875	443,875
2021	225,000	130,375	355,375
2022-2026	400,000	538,250	938,250
2027-2030	2,045,000	262,250	2,307,250
Total	\$ 3,865,000	\$ 1,595,250	\$ 5,460,250

In February 2009, the District issued \$4,200,000 in Election 2004 General Obligation Bonds, Series C. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2032 and yield interest ranging from 2.00 percent to 5.39 percent. At June 30, 2016, the principal balance outstanding was \$4,125,000.

The District's bonds mature through 2033, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 50,000	\$ 232,938	\$ 282,938
2018	25,000	231,250	256,250
2019	25,000	230,375	255,375
2020	75,000	229,375	304,375
2021	150,000	226,375	376,375
2022-2026	1,800,000	943,250	2,743,250
2027-2031	625,000	600,000	1,225,000
2032-2033	1,375,000	124,500	1,499,500
Total	\$ 4,125,000	\$ 2,818,063	\$ 6,943,063

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In October 2011, the District issued \$12,440,000 in 2011 Refunding General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose to refund a portion of the Election 1999 General Obligation Bonds Series A, Election 1999 General Obligation Bonds Series B and 2004 General Obligation Bonds Series A District's outstanding debt. The remaining bonds mature through August 2028 and yield interest ranging from 2.75 percent to 5.00 percent. At June 30, 2016, the principal balance outstanding was \$11,490,000.

The District's bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 295,000	\$ 520,863	\$ 815,863
2018	725,000	509,063	1,234,063
2019	775,000	472,813	1,247,813
2020	800,000	442,500	1,242,500
2021	850,000	402,500	1,252,500
2022-2026	4,795,000	1,342,750	6,137,750
2027-2029	3,250,000	261,750	3,511,750
Total	<u>\$ 11,490,000</u>	<u>\$ 3,952,239</u>	<u>\$ 15,442,239</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$226,023.

Other General Long-Term Obligations

The District has entered into an agreement with the City of La Cañada to pay the District's portion of the installation of two sewer systems.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The leases have minimum lease payments as follows:

Fiscal Year	PCY	PCR	Sewer Systems
2017	13,091	28,986	\$ 42,077
2018	13,091	28,986	42,077
2019	-	28,986	28,986
2020	-	28,986	28,986
2021	-	28,986	28,986
2022-2024	-	79,174	79,174
Total	26,182	224,104	250,286
Less: Amount Representing Interest	1,149	49,290	50,439
Present Value of Minimum Lease Payments	\$ 25,033	\$ 174,814	\$ 199,847

PARS Supplemental Retirement Plan

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 403(b) of the Internal Revenue Code. Currently, there are 15 employees participating in this plan and the District's obligation to those retirees as of June 30, 2016, is \$374,802.

Fiscal Year	Total Payment
2017	\$ 124,934
2018	124,934
2019	124,934
Total	\$ 374,802

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$579,305, and contributions made by the District during the year were \$128,491. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$148,601 and \$(188,674), respectively, which resulted in an increase to the net OPEB obligation of \$410,741. As of June 30, 2016, the net OPEB obligation was \$3,382,751. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Stores inventories	19,627	-	-	-	19,627
Prepaid expenditures	135,321	-	-	-	135,321
Total Nonspendable	160,948	-	-	-	160,948
Restricted					
Legally restricted programs	463,013	-	-	16,587	479,600
Capital projects	-	1,652,203	-	313,553	1,965,756
Debt services	-	-	3,831,878	-	3,831,878
Total Restricted	463,013	1,652,203	3,831,878	330,140	6,277,234
Committed					
Stabilization	490,000	-	-	-	490,000
Assigned					
Funding shortfall	1,677,020	-	-	-	1,677,020
Unassigned					
Reserve for economic uncertainties	5,891,214	-	-	-	5,891,214
Total Unassigned	5,891,214	-	-	-	5,891,214
Total	\$ 8,682,195	\$ 1,652,203	\$ 3,831,878	\$ 330,140	\$ 14,496,416

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2017	\$ 1,970,102
2018	2,029,821
2019	2,112,257
2020	1,864,294
Total	<u>\$ 7,976,474</u>

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their family members for up to five years or until age 65, whichever comes first. Membership of the Plan consists of 18 retirees and beneficiaries currently receiving benefits and 205 active Plan members. Beginning October 1, 2011, all employees hired will not be eligible for postemployment benefits.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the La Cañada Teachers Association (LCTA), the local California Service Employees Association (CSEA Chapter), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$128,491 to the Plan, all of which was used for current premiums.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 579,305
Interest on net OPEB obligation	148,601
Adjustment to annual required contribution	<u>(188,674)</u>
Annual OPEB cost (expense)	539,232
Contributions made	<u>(128,491)</u>
Increase in net OPEB obligation	410,741
Net OPEB obligation, beginning of year	<u>2,972,010</u>
Net OPEB obligation, end of year	<u><u>\$ 3,382,751</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 587,960	\$ 117,093	20%	\$ 2,543,879
2015	581,611	153,480	26%	2,972,010
2016	539,232	128,491	24%	3,382,751

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 4,642,070	\$ 4,642,070	0%	\$ 23,103,180	20.09%

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Actuarial Methods and Assumptions

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

NOTE 13 - 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. During fiscal year ending June 30, 2016, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Schools Linked for Insurance Management (SLIM), a public risk sharing pool established pursuant to a Joint Powers Agreement for the purpose of self-insuring and reinsuring workers' compensation. Participation in SLIM gives the District the advantage of pooled member contributions, risk sharing and the purchase of insurance at lower cost. This allows SLIM to retain a degree of control over insurance rate structures adding to the stability and longevity of their program. The workers' compensation experience of the participating districts is calculated based on each member's experience. For claims prior to July 1, 2005, total savings are calculated and each participant's individual performance is compared to the overall savings percentage. A participant will either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of SLIM. Effective July 1, 2005, SLIM utilizes risk transfer through The Protected Insurance Program for Schools JPA (PIPS), a finite risk-sharing pool that transfers risk away from the members. Participation in SLIM is limited to districts that can meet SLIM selection criteria.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Employee Medical Benefits

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide medical, vision, and dental benefits to qualifying district employees and dependents. ASCIP is a non-profit risk-sharing Joint Power Authority (JPA) providing comprehensive insurance programs to California public entities for health benefits, property/liability, workers' compensation, and ancillary lines of coverage. The District pays a monthly contribution, which is placed in a common fund from which claim and premium payments are made for all participating Districts. Renewal rates are based on a combination of the pool's financial performance blended with district-specific claims ratios. Annual rate actions are approved by ASCIP's Executive Board, which is comprised of representatives from pool member districts.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 26,794,214	\$ 6,242,079	\$ 4,743,034	\$ 2,369,083
CalPERS	6,656,053	2,370,400	1,730,061	393,057
Total	<u>\$ 33,450,267</u>	<u>\$ 8,612,479</u>	<u>\$ 6,473,095</u>	<u>\$ 2,762,140</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$2,082,707.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 26,794,214
State's proportionate share of the net pension liability associated with the District	14,171,185
Total	\$ 40,965,399

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0398 percent and 0.0365 percent, resulting in a net increase in the proportionate share of 0.0033 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,369,083. In addition, the District recognized pension expense and revenue of \$1,097,717 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,082,707	\$ -
Net change in proportionate share of net pension liability	2,048,239	-
Difference between projected and actual earnings on pension plan investments	2,111,133	4,295,297
Difference between expected and actual experiences in the measurement of the total pension liability	-	447,737
Total	\$ 6,242,079	\$ 4,743,034

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (903,982)
2018	(903,982)
2019	(903,982)
2020	527,782
Total	<u>\$ (2,184,164)</u>

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 266,750
2018	266,750
2019	266,750
2020	266,750
2021	266,750
Thereafter	266,752
Total	<u>\$ 1,600,502</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Actuarial Methods and Assumptions

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 40,457,178
Current discount rate (7.60%)	26,794,214
1% increase (8.60%)	15,439,189

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$617,852.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,656,053. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0452 percent and 0.0427 percent, resulting in a net increase/decrease in the proportionate share of 0.0025 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$393,057. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 612,852	\$ -
Net change in proportionate share of net pension liability	283,959	-
Difference between projected and actual earnings on pension plan investments	1,093,186	1,321,095
Difference between expected and actual experiences in the measurement of the total pension liability	380,403	-
Changes of assumptions	-	408,966
Total	<u>\$ 2,370,400</u>	<u>\$ 1,730,061</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (167,068)
2018	(167,068)
2019	(167,068)
2020	273,295
Total	<u>\$ (227,909)</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 88,068
2018	88,068
2019	79,260
Total	<u>\$ 255,396</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	3.00 percent varies by entry age and service

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 10,833,281
Current discount rate (7.65%)	6,656,053
1% increase (8.65%)	3,182,409

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$1,239,770 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been 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 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2017	\$ 26,839
2018	10,988
Total	<u>\$ 37,827</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Schools Linked for Insurance Management (SLIM) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed its representative to the governing board of SLIM. During the year ended June 30, 2016, the District made payments of \$455,467 and \$322,925 to SLIM and ASCIP, respectively for insurance.

REQUIRED SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 29,563,246	\$ 29,561,767	\$ 29,522,148	\$ (39,619)
Federal sources	906,382	881,486	892,201	10,715
Other State sources ¹	5,366,134	5,609,348	6,871,606	1,262,258
Other local sources	8,329,171	8,434,130	8,589,502	155,372
Total Revenues ²	44,164,933	44,486,731	45,875,457	1,388,726
EXPENDITURES				
Current				
Certificated salaries	18,454,268	19,961,287	20,014,493	(53,206)
Classified salaries	6,714,704	7,482,400	7,414,549	67,851
Employee benefits ¹	7,724,451	8,005,843	9,134,677	(1,128,834)
Books and supplies	1,576,040	1,877,053	1,824,100	52,953
Services and operating expenditures	6,432,483	5,736,506	5,468,035	268,471
Capital outlay	50,000	74,351	366,457	(292,106)
Total Expenditures ²	40,951,946	43,137,440	44,222,311	(1,084,871)
Excess (Deficiency) of Revenues Over Expenditures	3,212,987	1,349,291	1,653,146	303,855
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	-	(16,000)
Transfers out	(1,505,000)	(1,647,127)	(950,000)	697,127
Other uses	-	-	(15,000)	(15,000)
Net Financing Sources (Uses)	(1,489,000)	(1,631,127)	(965,000)	666,127
NET CHANGE IN FUND BALANCES	1,723,987	(281,836)	688,146	969,982
Fund Balance - Beginning	7,994,049	7,994,049	7,994,049	-
Fund Balance - Ending	\$ 9,718,036	\$ 7,712,213	\$ 8,682,195	\$ 969,982

¹ On behalf payments of \$1,239,770 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

² In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 5,293,004	\$ 5,293,004	0%	\$ 26,342,823	20.09%
July 1, 2013	-	4,561,602	4,561,602	0%	22,702,698	20.09%
July 1, 2015	-	4,642,070	4,642,070	0%	23,103,180	20.09%

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0398%</u>	<u>0.0365%</u>
District's proportionate share of the net pension liability	\$ 26,794,214	\$ 21,339,840
State's proportionate share of the net pension liability associated with the District	<u>14,171,185</u>	<u>12,885,917</u>
Total	<u>\$ 40,965,399</u>	<u>\$ 34,225,757</u>
District's covered - employee payroll	<u>\$ 17,940,721</u>	<u>\$ 16,265,079</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>149.35%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0452%</u>	<u>0.0427%</u>
District's proportionate share of the net pension liability	<u>\$ 6,656,053</u>	<u>\$ 4,842,100</u>
District's covered - employee payroll	<u>\$ 4,870,272</u>	<u>\$ 4,478,234</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>136.67%</u>	<u>108.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 2,082,707	\$ 1,593,136
Contributions in relation to the contractually required contribution	<u>2,082,707</u>	<u>1,593,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 19,410,130</u>	<u>\$ 17,940,721</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 612,852	\$ 573,231
Contributions in relation to the contractually required contribution	<u>612,852</u>	<u>573,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 5,171,747</u>	<u>\$ 4,870,272</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

NOTE 2 - CHANGES TO BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001 (NCLB)			
Title III Cluster:			
Title III - Limited English Proficiency	84.365A	14346	\$ 27,311
Title III - Immigrant Education Program	84.365	15146	1,642
Total Title III Cluster			<u>28,953</u>
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	70,728
Individuals with Disabilities Education Act (IDEA):			
Special Education IDEA Cluster:			
Basic Local Assistance, Part B, Sec 611	84.027	13379	664,769
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	20,426
Federal Preschool Grants, Part B, Sec 619	84.173	13430	8,987
Preschool Staff Development, Part B, Sec 619	84.173A	13431	117
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	45,661
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	28,800
Total Special Education IDEA Cluster			<u>768,760</u>
Total U.S. Department of Education			<u>868,441</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE:			
Forest Reserve	10.665	10044	23,760
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	27,004
Food Distribution	10.555	13389	16,705
Total Child Nutrition Cluster			<u>43,709</u>
Total U.S. Department of Agriculture			<u>67,469</u>
Total Federal Programs			<u>\$ 935,910</u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The La Cañada School District was established July 1, 1885. On July 1, 1961, the District became a unified school district (La Cañada Unified School District), and consists of an area comprising approximately 144 square miles in Los Angeles County. The District operates three elementary schools, and one combined junior high and high school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Sagal	President	2017
Dan F. Jeffries	Vice President	2017
Kaitzer P. Puglia	Clerk	2017
Brent Kuszyk	Member	2019
Ellen Multari	Member	2019

ADMINISTRATION

Wendy K. Sinnette	Superintendent
Dr. Jeff Davis	Assistant Superintendent, Human Resources - Pupil Personnel Services
Anaïs Wenn	Assistant Superintendent, Curriculum and Instruction
Mark Evans	Chief Business and Operations Officer
Diane Clinton	Director of Fiscal Services
Lindi Dreibelbis	Chief Director of Assessment, Research, Consolidated Program and CalPADS
Dr. Tamara Jackson	Executive Director of Special Education
Jamie Lewsadder	Program Director of Technology, Infrastructure and Integration

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,020.54	1,022.42
Fourth through sixth	924.15	925.45
Seventh and eighth	669.07	669.27
Ninth through twelfth	1,339.84	1,335.89
Total Regular ADA	<u>3,953.60</u>	<u>3,953.03</u>
Extended Year Special Education		
Transitional kindergarten through third	3.00	3.00
Fourth through sixth	11.69	11.69
Seventh and eighth	1.59	1.57
Ninth through twelfth	5.38	5.38
Total Extended Year Special Education	<u>21.66</u>	<u>21.64</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.89	1.97
Seventh and eighth	3.60	3.81
Ninth through twelfth	7.40	7.71
Total Special Education, Nonpublic, Nonsectarian Schools	<u>12.89</u>	<u>13.49</u>
Total ADA	<u><u>3,988.15</u></u>	<u><u>3,988.16</u></u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	39,600	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		58,200	180	N/A	Complied
Grade 2		58,200	180	N/A	Complied
Grade 3		58,200	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,200	180	N/A	Complied
Grade 5		58,200	180	N/A	Complied
Grade 6		58,200	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		64,945	180	N/A	Complied
Grade 8		64,945	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,945	180	N/A	Complied
Grade 10		64,945	180	N/A	Complied
Grade 11		64,945	180	N/A	Complied
Grade 12		64,945	180	N/A	Complied

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	(Budget)			
	2017 ¹	2016	2015	2014
GENERAL FUND ⁴				
Revenues	\$ 44,287,519	\$ 45,854,304	\$ 40,942,125	\$ 37,717,299
Other sources and transfers in	16,000	14,388	-	-
Total Revenues and Other Sources	<u>44,303,519</u>	<u>45,868,692</u>	<u>40,942,125</u>	<u>37,717,299</u>
Expenditures	43,630,907	43,903,104	41,347,652	37,589,425
Other uses and transfers out	614,493	1,647,127	1,181,713	1,017,811
Total Expenditures and Other Uses	<u>44,245,400</u>	<u>45,550,231</u>	<u>42,529,365</u>	<u>38,607,236</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 58,119</u>	<u>\$ 318,461</u>	<u>\$ (1,587,240)</u>	<u>\$ (889,937)</u>
ENDING FUND BALANCE	<u>\$ 5,732,879</u>	<u>\$ 5,674,760</u>	<u>\$ 5,356,299</u>	<u>\$ 6,943,539</u>
AVAILABLE RESERVES ²	<u>\$ 3,805,789</u>	<u>\$ 5,891,214</u>	<u>\$ 6,803,870</u>	<u>\$ 5,747,715</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>8.60%</u>	<u>13.30%</u>	<u>16.00%</u>	<u>14.89%</u>
LONG-TERM OBLIGATIONS	<u>NA</u>	<u>\$ 29,391,624</u>	<u>\$ 31,015,993</u>	<u>\$ 31,962,048</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>3,997</u>	<u>3,988</u>	<u>3,963</u>	<u>3,947</u>

The General Fund balance has decreased by \$1,268,779 over the past two years. The fiscal year 2016-2017 budget projects an increase of \$58,119 (1.02 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 surplus during the 2016-2017 fiscal year. Total long-term obligations have decreased by \$2,570,424 over the past two years.

Average daily attendance has increased by 41 over the past two years. Additional growth of 9 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve for Other Than Capital Outlay Fund.

³ On behalf payments made by the State of California of \$1,239,770, \$924,694, and \$873,802, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014, respectively.

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

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Cafeteria Fund (13)	Building Fund (21)	Capital Facilities Fund (25)	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 174,230	\$ -	\$ 286,377	\$ 460,607
Receivables	3,153	-	35,563	38,716
Total Assets	\$ 177,383	\$ -	\$ 321,940	\$ 499,323
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 101,968	\$ -	\$ 8,387	\$ 110,355
Unearned revenue	58,828	-	-	58,828
Total Liabilities	160,796	-	8,387	169,183
Fund Balances:				
Restricted	16,587	-	313,553	330,140
Total Liabilities and Fund Balances	\$ 177,383	\$ -	\$ 321,940	\$ 499,323

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	Cafeteria Fund (13)	Building Fund (21)	Capital Facilities Fund (25)	Total Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 43,709	\$ -	\$ -	\$ 43,709
Other State sources	507	-	-	507
Other local sources	600,144	-	313,469	913,613
Total Revenues	<u>644,360</u>	<u>-</u>	<u>313,469</u>	<u>957,829</u>
EXPENDITURES				
Current				
Pupil services:				
Food services	803,697	-	-	803,697
Administration:				
All other administration	40,240	-	19,462	59,702
Facility acquisition and construction	-	-	258,054	258,054
Total Expenditures	<u>843,937</u>	<u>-</u>	<u>277,516</u>	<u>1,121,453</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,577)</u>	<u>-</u>	<u>35,953</u>	<u>(163,624)</u>
OTHER FINANCING SOURCES				
Transfers in	186,000	-	-	186,000
Transfers out	-	(218)	-	(218)
Net Financing Sources (Uses)	<u>186,000</u>	<u>(218)</u>	<u>-</u>	<u>185,782</u>
NET CHANGE IN FUND BALANCES	(13,577)	(218)	35,953	22,158
Fund Balances - Beginning	30,164	218	277,600	307,982
Fund Balances - Ending	<u>\$ 16,587</u>	<u>\$ -</u>	<u>\$ 313,553</u>	<u>\$ 330,140</u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 the 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 Unaudited Actual Financial Report to the audited financial statements.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
La Cañada Unified School District
La Cañada Flintridge, 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 La Cañada Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise La Cañada Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Cañada Unified 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 La Cañada Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Cañada Unified School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Cañada Unified 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*.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 1, 2016



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

Governing Board
La Cañada Unified School District
La Cañada Flintridge, California

Report on Compliance for Each Major Federal Program

We have audited La Cañada Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of La Cañada Unified School District's (the District) major Federal programs for the year ended June 30, 2016. La Cañada Unified 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 La Cañada Unified 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 La Cañada Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of La Cañada Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, La Cañada Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of La Cañada Unified 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 La Cañada Unified 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 La Cañada Unified School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 1, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
La Cañada Unified School District
La Cañada Flintridge, California

Report on State Compliance

We have audited La Cañada Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the La Cañada Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the La Cañada Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about La Cañada Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of La Cañada Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, La Cañada Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 1, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, and 84.173A	<u>Special Education IDEA Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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LA CAÑADA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

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