



**LA CAÑADA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LA CAÑADA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
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	18
Fiduciary Funds - Statement of Net Position	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	63
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	64
Schedule of the District's Proportionate Share of the Net Pension Liability	65
Schedule of District Contributions	66
Notes to Required Supplementary Information	67

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	69
Local Education Agency Organization Structure	70
Schedule of Average Daily Attendance	71
Schedule of Instructional Time	72
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	73
Schedule of Financial Trends and Analysis	74
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	76
Note to Supplementary Information	77

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>	80
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	82
Report on State Compliance	84

LA CAÑADA UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	88
Financial Statement Findings	89
Federal Awards Findings and Questioned Costs	90
State Awards Findings and Questioned Costs	91
Summary Schedule of Prior Audit Findings	92

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the La Cañada Unified School District, as of June 30, 2017, 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 on page 63, schedule of other postemployment benefits funding progress on page 64, schedule of the district's proportionate share of net pension liability on page 65, and the schedule of district contributions on page 66, 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 30, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of La Cañada Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Cañada Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 30, 2017

Wendy K. Sinnette
Superintendent

Anais Wenn
Assistant Superintendent
Educational Services

Mark Evans
Chief Business and
Operations Officer

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, 2017, with comparative information from the year ended June 30, 2016. 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, 2017

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 taxes 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, 2017

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 \$10,012,893 for the fiscal year ended June 30, 2017. Of this amount, \$(25,902,319) 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	
	2017	2016 as Restated
Assets		
Current and other assets	\$ 19,298,864	\$ 18,579,015
Capital assets	55,563,329	56,114,189
Total Assets	<u>74,862,193</u>	<u>74,693,204</u>
Deferred Outflows of Resources	<u>9,706,911</u>	<u>8,612,479</u>
Liabilities		
Current liabilities	4,367,822	5,339,023
Long-term obligations/bonded debt ¹	27,870,459	29,391,624
Aggregate net pension liability	41,023,913	33,450,267
Total Liabilities	<u>73,262,194</u>	<u>68,180,914</u>
Deferred Inflows of Resources	<u>1,294,017</u>	<u>6,473,095</u>
Net Position		
Net investment in capital assets	31,946,840	30,706,141
Restricted	3,968,372	3,368,607
Unrestricted (Deficit)	(25,902,319)	(25,423,074)
Total Net Position	<u>\$ 10,012,893</u>	<u>\$ 8,651,674</u>

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

The \$(25,902,319) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 667,572	\$ 616,222
Operating grants and contributions	5,403,675	4,931,680
General revenues:		
Federal and State aid not restricted	16,192,178	16,624,798
Property taxes	23,769,128	22,476,675
Other general revenues	8,864,560	7,726,013
Total Revenues	<u>54,897,113</u>	<u>52,375,388</u>
Expenses		
Instruction-related	37,916,131	35,353,576
Student support services	3,949,660	3,828,241
Administration and technology ¹	3,965,769	3,663,687
Maintenance and operations	5,252,406	4,947,302
Other	2,451,928	2,508,301
Total Expenses	<u>53,535,894</u>	<u>50,301,107</u>
Change in Net Position	<u>\$ 1,361,219</u>	<u>\$ 2,074,281</u>

¹ Information technology expenses totaled \$997,912 in 2016-2017.

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of the District governmental activities this year was \$53,535,894. However, the amount that the District taxpayers ultimately financed for these activities through local taxes was only \$23,769,128 because the cost was paid by those who benefited from the programs \$667,572 or by other governmental agencies and organizations who subsidized certain programs with grants and contributions of \$5,403,675. The District received \$25,056,738 in Federal and State funds, and with other general revenues, such as interest and general entitlements.

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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction-related	\$ 37,916,131	\$ 35,353,576	\$ 33,098,559	\$ 30,806,390
Pupil services	3,949,660	3,828,241	3,002,910	3,016,489
Administration and technology	3,965,769	3,663,687	3,723,697	3,474,723
Maintenance and operations	5,252,406	4,947,302	5,187,553	4,947,302
Other	2,451,928	2,508,301	2,451,928	2,508,301
Total	\$ 53,535,894	\$ 50,301,107	\$ 47,464,647	\$ 44,753,205

Instruction-related activities comprise approximately 70.82 percent of expenses. Pupil Services including home-to-school transportation and food services equal 7.38 percent of expenses. Administrative expenses, including Informational Services and Technology, represent 7.41 percent of expenses, and Maintenance and Operations, including facilities acquisition, construction, and other expenses represent 14.39 percent of expenses.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$16,002,512, which is an increase of \$1,506,096 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 8,682,195	\$ 47,343,354	\$ 45,768,789	\$ 10,256,760
Bond Interest and Redemption Fund	3,831,878	4,261,533	4,179,583	3,913,828
Cafeteria Fund	16,587	809,817	801,336	25,068
Building Fund	-	-	-	-
Capital Facilities Fund	313,553	355,983	-	669,536
Special Reserve Fund for Capital Outlay Projects	1,652,203	336,330	851,213	1,137,320
Total	\$ 14,496,416	\$ 53,107,017	\$ 51,600,921	\$ 16,002,512

The primary reasons for the changes are:

- a. With stronger economic stability, the District was able to negotiate a 1.00 percent salary increase for all classified employees and a 1.00 percent on schedule and 0.55 percent retro to July 1, 2016 for certificated employees which were the primary reason for the change.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 63).

The District continued to implement the State Local Control Funding Formula for 2017-2018 and has reflected this funding model in the 2017-2018 and multiyear budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$55,563,329 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 \$550,860, or 0.98 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	\$ 1,333,514	\$ 1,811,051
Buildings and improvements	53,809,758	53,832,289
Equipment	420,057	470,849
Total	\$ 55,563,329	\$ 56,114,189

This fiscal year's additions of approximately \$1,275,000 for infrastructure, technology, and exterior enhancement of building and equipment.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Long-Term Obligations

At the end of this year, the District's voter-approved debt was \$22,627,476 in bonds outstanding versus \$24,318,871 last year, a decrease of 6.96 percent. Those bonds consisted of:

Table 6

	<u>2017</u>	<u>2016</u>
General obligation bonds (voter-approved)	<u>\$ 22,627,476</u>	<u>\$ 24,318,871</u>

The District's general obligation bond rating continues to be "Aa1". 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 \$22,627,476 is significantly below the statutorily-imposed limit.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$41,023,913 as a result of the adoption of GASB Statement No. 68.

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Compensated absences	\$ 201,893	\$ 226,023
Premium on debt	820,920	889,330
Other long-term obligation - sewer system	168,093	199,847
PARS supplemental retirement plan	259,864	374,802
OPEB	3,792,213	3,382,751
Total	<u>\$ 5,242,983</u>	<u>\$ 5,072,753</u>

FINANCIAL HIGHLIGHTS

- General revenues (primarily State and Federal sources and property taxes and local revenue) accounted for \$48,824,866 in revenue or 86 percent of all revenues. Program revenues (restricted programs) accounted for \$7,974,388 or 14 percent of total revenue of \$52,993,972.
- Expenses in the governmental funds were \$53,535,894; \$6,071,247 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$48,825,866 were

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

adequate to provide the remaining \$47,464,647 required for these programs. This resulted in a positive change in total Net Position of \$1,361,219 as described in Table 2.

- The General Fund reported a positive fund balance of \$10,256,760 of which \$4,285,872 is designated for economic uncertainties and other designations, including the required reserve balance.
- The La Cañada Flintridge Educational Foundation funded \$2,006,000 during 2016-2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 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 2017-2018 of approximately 25 students.
- Projected retirement of staff of approximately 298,000.
- 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 three percent.
- Parcel Tax Revenue of approximately \$2.6 million.
- Deferred Maintenance contribution of approximately \$335,000 from General Fund.

As the District prepares for the 2017-2018 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, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 17,527,723
Receivables	1,590,171
Prepaid expenses	49,650
Stores inventories	10,525
Other current assets	120,795
Capital assets:	
Land and construction in progress	1,333,514
Other capital assets	93,268,872
Less: Accumulated depreciation	(39,039,057)
Total Capital Assets, Net	<u>55,563,329</u>
Total Assets	<u><u>74,862,193</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>9,706,911</u>
 LIABILITIES	
Accounts payable	2,915,201
Accrued interest	1,071,470
Unearned revenue	381,151
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,871,223
Noncurrent portion of long-term obligations other than pensions	25,999,236
Total Long-Term Obligations ¹	<u>27,870,459</u>
Aggregate net pension liability	<u>41,023,913</u>
Total Liabilities	<u><u>73,262,194</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>1,294,017</u>
 NET POSITION	
Net investment in capital assets	31,946,840
Restricted for:	
Debt service	2,842,358
Capital projects	669,536
Educational programs	431,410
Other activities	25,068
Unrestricted (Deficit)	(25,902,319)
Total Net Position	<u><u>\$ 10,012,893</u></u>

¹ Includes \$22,627,476 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, 2017

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	\$ 32,427,292	\$ -	\$ 4,417,341	\$ (28,009,951)
Instruction-related activities:				
Supervision of instruction	1,361,602	-	145,351	(1,216,251)
Instructional library, media, and technology	997,912	-	166,866	(831,046)
School site administration	3,129,325	-	88,014	(3,041,311)
Pupil services:				
Home-to-school transportation	465,733	-	-	(465,733)
Food services	771,020	636,642	27,847	(106,531)
All other pupil services	2,712,907	-	282,261	(2,430,646)
Administration:				
Information technology	1,461,246	-	-	(1,461,246)
All other administration	2,504,523	30,930	211,142	(2,262,451)
Plant services	5,252,406	-	64,853	(5,187,553)
Ancillary services	53,479	-	-	(53,479)
Community services	65,207	-	-	(65,207)
Interest on long-term obligations	2,203,070	-	-	(2,203,070)
Other outgo	130,172	-	-	(130,172)
Total Governmental Activities	\$ 53,535,894	\$ 667,572	\$ 5,403,675	(47,464,647)
General Revenues and Subventions:				
				16,939,103
Property taxes, levied for general purposes				4,236,257
Property taxes, levied for debt service				2,593,768
Taxes levied for other specific purposes				16,192,178
Federal and State aid not restricted to specific purposes				8,864,560
Interest and investment earnings				48,825,866
Miscellaneous				1,361,219
Subtotal, General Revenues				8,651,674
Change in Net Position				\$ 10,012,893
Net Position - Beginning				
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, 2017

	General Fund	Bond Interest and Redemption Fund
ASSETS		
Deposits and investments	\$ 11,783,033	\$ 3,913,828
Receivables	1,490,762	-
Prepaid expenditures	49,650	-
Stores inventories	10,525	-
Other current assets	120,795	-
Total Assets	\$ 13,454,765	\$ 3,913,828
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 2,891,493	\$ -
Unearned revenue	306,512	-
Total Liabilities	3,198,005	-
Fund Balances:		
Nonspendable	66,205	-
Restricted	431,410	3,913,828
Committed	490,000	-
Assigned	4,983,253	-
Unassigned	4,285,892	-
Total Fund Balance	10,256,760	3,913,828
Total Liabilities and Fund Balances	\$ 13,454,765	\$ 3,913,828

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

Non Major Governmental Funds	Total Governmental Funds
\$ 1,830,862	\$ 17,527,723
99,409	1,590,171
-	49,650
-	10,525
-	120,795
\$ 1,930,271	\$ 19,298,864

\$ 23,708	\$ 2,915,201
74,639	381,151
98,347	3,296,352

-	66,205
694,439	5,039,677
-	490,000
1,137,485	6,120,738
-	4,285,892
1,831,924	16,002,512

\$ 1,930,271	\$ 19,298,864
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LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017

Total Fund Balance - Governmental Funds		\$ 16,002,512
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:	\$ 94,602,386	
Accumulated depreciation is:	<u>(39,039,057)</u>	
Net Capital Assets		55,563,329
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,277,204
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.		(1,071,470)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		1,915,125
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.		3,904,012
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.		(428,291)
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.		(255,156)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(41,023,913)
Long-term obligations at year-end consist of:		
General obligation bonds payable	(22,627,476)	
Premium on debt	(820,920)	
Compensated absences (vacations)	(201,893)	
Other long-term obligation - sewer system	(168,093)	
PARS supplemental retirement plan	(259,864)	
Other postemployment benefits	<u>(3,792,213)</u>	
Total Long-Term Obligations		<u>(27,870,459)</u>
Total Net Position - Governmental Activities		<u>\$ 10,012,893</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, 2017

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 31,471,217	\$ -	\$ -	\$ 31,471,217
Federal sources	901,419	-	27,828	929,247
Other State sources	6,346,059	17,822	458	6,364,339
Other local sources	8,624,659	4,243,711	1,360,799	14,229,169
Total Revenues	<u>47,343,354</u>	<u>4,261,533</u>	<u>1,389,085</u>	<u>52,993,972</u>
EXPENDITURES				
Current				
Instruction	28,662,579	-	-	28,662,579
Instruction-related activities:				
Supervision of instruction	1,247,575	-	-	1,247,575
Instructional library, media, and technology	922,549	-	-	922,549
School site administration	2,826,905	-	-	2,826,905
Pupil services:				
Home-to-school transportation	232,459	-	-	232,459
Food services	-	-	764,208	764,208
All other pupil services	2,615,473	-	-	2,615,473
Administration:				
Information technology	1,352,923	-	-	1,352,923
All other administration	2,089,740	-	37,128	2,126,868
Plant services	5,143,779	-	122,309	5,266,088
Facility acquisition and construction	494,469	-	663,904	1,158,373
Ancillary services	51,210	-	-	51,210
Community services	63,956	-	-	63,956
Debt service				
Principal	-	1,691,395	-	1,691,395
Interest and other	-	2,488,188	-	2,488,188
Total Expenditures	<u>45,703,617</u>	<u>4,179,583</u>	<u>1,587,549</u>	<u>51,470,749</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,639,737</u>	<u>81,950</u>	<u>(198,464)</u>	<u>1,523,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	113,045	113,045
Transfers out	(48,045)	-	(65,000)	(113,045)
Other uses	(17,127)	-	-	(17,127)
Net Financing Sources (Uses)	<u>(65,172)</u>	<u>-</u>	<u>48,045</u>	<u>(17,127)</u>
NET CHANGE IN FUND BALANCES	1,574,565	81,950	(150,419)	1,506,096
Fund Balances - Beginning	8,682,195	3,831,878	1,982,343	14,496,416
Fund Balances - Ending	<u>\$ 10,256,760</u>	<u>\$ 3,913,828</u>	<u>\$ 1,831,924</u>	<u>\$ 16,002,512</u>

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 FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 1,506,096**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

Depreciation expense	\$ (1,826,052)	
Capital outlays	<u>1,275,192</u>	
Net Expense Adjustment		(550,860)

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 \$24,130.

24,130

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

(1,300,136)

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 \$409,462.

(409,462)

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 \$114,938.

114,938

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	1,691,395	
Other long-term obligations - sewer system	<u>31,754</u>	
		1,723,149

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, 2017

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.	184,954
Change in Net Position of Governmental Activities	<u>\$ 1,361,219</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, 2017**

	<u>Agency Funds</u>
ASSETS - ASSOCIATED STUDENT BODY FUNDS	
Deposits and investments	\$ 728,163
LIABILITIES	
Due to student groups	\$ 728,163

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the Foundation contributed approximately \$2,000,000 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, 2017

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 increase in fund balance of \$3,255,465.

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).

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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

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).

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.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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, 2017

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, 2017

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, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$3,968,372 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, 2017

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

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

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

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

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

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

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 17,527,723
Fiduciary funds	728,163
Total Deposits and Investments	<u>\$ 18,255,886</u>

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

Cash on hand and in banks	\$ 731,663
Cash in revolving	6,030
Investments	17,518,193
Total Deposits and Investments	<u>\$ 18,255,886</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, 2017

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	Reported Amount	Weighted Average Maturity In Days
Los Angeles County Investment Pool	\$ 17,518,193	672

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. The District's investment in the Los Angeles County Investment Pool is rated Aa1 by Moody's Investor Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District has \$522,397 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.

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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 17,518,193</u>	<u>\$ 17,518,193</u>

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

NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government			
Categorical aid	\$ 769,451	\$ 3,217	\$ 772,668
State Government			
Categorical aid	350,927	44	350,971
Lottery	177,030	-	177,030
Local Government			
Interest	56,996	8,788	65,784
Other Local Sources	136,358	87,360	223,718
Total	<u>\$ 1,490,762</u>	<u>\$ 99,409</u>	<u>\$ 1,590,171</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 926,963	\$ -	\$ -	\$ 926,963
Construction in Progress	884,088	1,141,198	1,618,735	406,551
Total Capital Assets Not Being Depreciated	<u>1,811,051</u>	<u>1,141,198</u>	<u>1,618,735</u>	<u>1,333,514</u>
Capital Assets Being Depreciated:				
Land Improvements	2,607,782	1,234,036	-	3,841,818
Buildings and Improvements	84,363,852	476,381	-	84,840,233
Furniture and Equipment	4,544,509	42,312	-	4,586,821
Total Capital Assets Being Depreciated	<u>91,516,143</u>	<u>1,752,729</u>	<u>-</u>	<u>93,268,872</u>
Total Capital Assets	<u>93,327,194</u>	<u>2,893,927</u>	<u>1,618,735</u>	<u>94,602,386</u>
Less Accumulated Depreciation:				
Land Improvements	1,672,316	129,549	-	1,801,865
Buildings and Improvements	31,467,029	1,603,399	-	33,070,428
Furniture and Equipment	4,073,660	93,104	-	4,166,764
Total Accumulated Depreciation Governmental Activities	<u>37,213,005</u>	<u>1,826,052</u>	<u>-</u>	<u>39,039,057</u>
Capital Assets, Net	<u>\$ 56,114,189</u>	<u>\$ 1,067,875</u>	<u>\$ 1,618,735</u>	<u>\$ 55,563,329</u>

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

Governmental Activities	
Instruction	\$ 1,184,938
Supervision of instruction	41,215
Instructional library, media, and technology	21,511
School site administration	122,200
Home-to-school transportation	20,427
All other pupil services	97,434
Information technology	23,138
All other administration	315,189
Total Depreciation Expenses Governmental Activities	<u>\$ 1,826,052</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Non-Major Governmental Funds	\$ 48,045	\$ 65,000	\$ 113,045

The General Fund transferred to the Non-Major Cafeteria Fund for cash flow purposes.	\$	48,045
The Non-Major Special Reserve Fund for Capital Outlay Projects transferred to the Non-Major Cafeteria Fund for cash flow purposes.		65,000
Total	\$	113,045

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, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 954,689	\$ 11,683	\$ 966,372
State apportionment	354,574	-	354,574
Salaries and benefits	1,582,230	12,025	1,594,255
Total	\$ 2,891,493	\$ 23,708	\$ 2,915,201

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 5,412	\$ -	\$ 5,412
State categorical aid	301,100	-	301,100
Other local	-	74,639	74,639
Total	<u>\$ 306,512</u>	<u>\$ 74,639</u>	<u>\$ 381,151</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, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 24,318,871	\$ -	\$ 1,691,395	\$ 22,627,476	\$ 1,709,134
Premium on debt	889,330	-	68,410	820,920	-
Compensated absences	226,023	-	24,130	201,893	-
Other long-term obligations - sewer system	199,847	-	31,754	168,093	32,157
PARS supplemental retirement plan	374,802	-	114,938	259,864	129,932
Net OPEB Obligation	3,382,751	533,694	124,232	3,792,213	-
Total	<u>\$ 29,391,624</u>	<u>\$ 533,694</u>	<u>\$ 2,054,859</u>	<u>\$ 27,870,459</u>	<u>\$ 1,871,223</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 made by 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, 2017

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2016	Issued	Redeemed	Outstanding June 30, 2017
8/15/1995	8/1/2020	4.10-6.60%	\$ 14,999,979	\$ 2,438,871	\$ -	\$ 506,395	\$ 1,932,476
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	570,000	-	570,000	-
7/1/2008	8/1/2029	4.00-5.00%	5,800,000	3,865,000	-	270,000	3,595,000
2/1/2009	8/1/2032	2.00-5.39%	4,200,000	4,125,000	-	50,000	4,075,000
10/27/11	8/1/2028	2.75-5.00%	12,440,000	11,490,000	-	295,000	11,195,000
				<u>\$ 24,318,871</u>	<u>\$ -</u>	<u>\$ 1,691,395</u>	<u>\$ 22,627,476</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, 2017, the principal balance outstanding was \$1,932,476.

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

Fiscal Year	Principal	Interest to Maturity	Total
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>\$ 1,932,476</u>	<u>\$ 6,897,524</u>	<u>\$ 8,830,000</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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>
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	200,000	64,975	264,975
2023-2026	930,000	137,138	1,067,138
Total	<u>\$ 1,830,000</u>	<u>\$ 565,513</u>	<u>\$ 2,395,513</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, 2017, was \$9,475,000. At June 30, 2017, there was no remaining balance outstanding.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$3,595,000.

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

Fiscal Year	Principal	Interest to Maturity	Total
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	200,000	120,250	320,250
2023-2027	670,000	520,250	1,190,250
2028-2030	1,575,000	160,000	1,735,000
Total	\$ 3,595,000	\$ 1,410,000	\$ 5,005,000

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, 2017, the principal balance outstanding was \$4,075,000.

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

Fiscal Year	Principal	Interest to Maturity	Total
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	200,000	218,500	418,500
2023-2027	1,600,000	844,750	2,444,750
2028-2032	1,300,000	562,500	1,862,500
2033	700,000	42,000	742,000
Total	\$ 4,075,000	\$ 2,585,125	\$ 6,660,125

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$11,195,000.

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

Fiscal Year	Principal	Interest to Maturity	Total
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	875,000	360,000	1,235,000
2023-2027	5,020,000	1,115,625	6,135,625
2028-2029	2,150,000	128,875	2,278,875
Total	\$ 11,195,000	\$ 3,431,376	\$ 14,626,376

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$201,893.

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.

The leases have minimum lease payments as follows:

Fiscal Year	PCY	PCR	Sewer Systems
2018	13,091	28,017	\$ 41,108
2019	-	27,038	27,038
2020	-	26,055	26,055
2021	-	24,989	24,989
2022	-	23,915	23,915
2022-2024	-	65,105	65,105
Total	13,091	195,119	208,210
Less: Amount Representing Interest	389	39,728	40,117
Present Value of Minimum Lease Payments	\$ 12,702	\$ 155,391	\$ 168,093

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, is \$259,864.

<u>Fiscal Year</u>	<u>Total Payment</u>
2018	\$ 129,932
2019	129,932
Total	<u>\$ 259,864</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$579,305, and contributions made by the District during the year were \$124,232. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$169,138 and \$214,749 respectively, which resulted in an increase to the net OPEB obligation of \$409,462. As of June 30, 2017, the net OPEB obligation was \$3,792,213. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 6,030	\$ -	\$ -	\$ 6,030
Stores inventories	10,525	-	-	10,525
Prepaid expenditures	49,650	-	-	49,650
Total Nonspendable	<u>66,205</u>	<u>-</u>	<u>-</u>	<u>66,205</u>
Restricted				
Legally restricted programs	431,410	-	24,903	456,313
Capital projects	-	-	669,536	669,536
Debt services	-	3,913,828	-	3,913,828
Total Restricted	<u>431,410</u>	<u>3,913,828</u>	<u>694,439</u>	<u>5,039,677</u>
Committed				
Stabilization	<u>490,000</u>	<u>-</u>	<u>-</u>	<u>490,000</u>
Assigned				
Other	-	-	1,137,485	1,137,485
Funding shortfall	4,983,253	-	-	4,983,253
Total Assigned	<u>4,983,253</u>	<u>-</u>	<u>1,137,485</u>	<u>6,120,738</u>
Unassigned				
Reserve for economic uncertainties	4,285,892	-	-	4,285,892
Total Unassigned	<u>4,285,892</u>	<u>-</u>	<u>-</u>	<u>4,285,892</u>
Total	<u>\$ 10,256,760</u>	<u>\$ 3,913,828</u>	<u>\$ 1,831,924</u>	<u>\$ 16,002,512</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 45,703,617	\$ 45,151,996	\$ (551,621)

NOTE 12 - 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
2018	\$ 2,029,821
2019	2,112,257
2020	1,864,294
Total	\$ 6,006,372

NOTE 13 - 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 2016-2017, the District contributed \$124,232 to the Plan, all of which was used for current premiums.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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	169,138
Adjustment to annual required contribution	<u>(214,749)</u>
Annual OPEB cost (expense)	533,694
Contributions made	<u>(124,232)</u>
Increase in net OPEB obligation	409,462
Net OPEB obligation, beginning of year	<u>3,382,751</u>
Net OPEB obligation, end of year	<u><u>\$ 3,792,213</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
2015	\$ 581,611	\$ 153,480	26%	\$ 2,972,010
2016	539,232	128,491	24%	3,382,751
2017	\$ 533,694	\$ 124,232	23%	3,792,213

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%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Actuarial Methods and Assumptions

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

NOTE 14 - 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, 2017, 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 2017, 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, 2017

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 15 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<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	\$ 32,531,165	\$ 7,081,043	\$ 793,561	\$ 3,468,963
CalPERS	8,492,748	2,625,868	500,456	1,108,377
Total	<u>\$ 41,023,913</u>	<u>\$ 9,706,911</u>	<u>\$ 1,294,017</u>	<u>\$ 4,577,340</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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$2,520,449.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 32,531,165
State's proportionate share of the net pension liability associated with the District	18,519,412
Total	<u>\$ 51,050,577</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was .0402 percent and .0398 percent, resulting in a net increase in the proportionate share of .0004 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,468,963. In addition, the District recognized pension expense and revenue of \$1,790,096 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,520,449	\$ -
Net change in proportionate share of net pension liability	1,974,383	-
Difference between projected and actual earnings on pension plan investments	2,586,211	-
Difference between expected and actual experiences in the measurement of the total pension liability	-	793,561
Total	<u>\$ 7,081,043</u>	<u>\$ 793,561</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 56,422
2019	56,423
2020	1,503,374
2021	969,992
Total	<u>\$ 2,586,211</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 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 241,130
2019	241,130
2020	241,130
2021	241,130
2022	241,129
Thereafter	(24,827)
Total	<u>\$ 1,180,822</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' 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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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%)	\$ 46,819,684
Current discount rate (7.60%)	32,531,165
1% increase (8.60%)	20,663,953

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports 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, 2017

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$756,755.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,492,748. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0430 percent and 0.0452 percent, resulting in a net decrease in the proportionate share of 0.0022 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,108,377. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 756,755	\$ -
Net change in proportionate share of net pension liability	186,042	245,300
Difference between projected and actual earnings on pension plan investments	1,317,801	-
Difference between expected and actual experiences in the measurement of the total pension liability	365,270	-
Changes of assumptions	-	255,156
Total	<u>\$ 2,625,868</u>	<u>\$ 500,456</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
2018	\$ 184,839
2019	184,840
2020	604,189
2021	343,933
Total	<u>\$ 1,317,801</u>

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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	\$ 48,067
2018	39,213
2019	(36,424)
Total	<u>\$ 50,856</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	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, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 12,671,227
Current discount rate (7.65%)	8,492,748
1% increase (8.65%)	5,013,341

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$1,630,378 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been 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 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various 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, 2017.

NOTE 17 - 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, 2017, the District made payments of \$575,237 and \$320,107 to SLIM and ASCIP, respectively for insurance.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$6,560,000 in 2017 General Obligation Refunding Bonds dated August 2, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Local Control Funding Formula	\$ 31,224,229	\$ 31,393,964	\$ 31,471,217	\$ 77,253
Federal sources	874,388	891,973	901,419	9,446
Other State sources ¹	4,105,085	4,499,814	6,346,059	1,846,245
Other local sources	8,083,817	8,409,739	8,624,659	214,920
Total Revenues ²	44,287,519	45,195,490	47,343,354	2,147,864
EXPENDITURES				
Current				
Certificated salaries	20,001,045	20,073,822	19,963,732	110,090
Classified salaries	7,578,627	7,913,146	7,737,535	175,611
Employee benefits ¹	8,081,952	8,049,980	9,610,960	(1,560,980)
Books and supplies	2,227,858	2,450,811	2,186,859	263,952
Services and operating expenditures	5,701,425	6,351,575	5,696,190	655,385
Capital outlay	40,000	312,662	508,341	(195,679)
Total Expenditures ²	43,630,907	45,151,996	45,703,617	(551,621)
Excess (Deficiency) of Revenues Over Expenditures	656,612	43,494	1,639,737	1,596,243
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	-	(16,000)
Transfers out	(614,493)	(623,854)	(48,045)	575,809
Other uses	-	-	(17,127)	(17,127)
Net Financing Sources (Uses)	(598,493)	(607,854)	(65,172)	542,682
NET CHANGE IN FUND BALANCES	58,119	(564,360)	1,574,565	2,138,925
Fund Balance - Beginning	8,682,195	8,682,195	8,682,195	-
Fund Balance - Ending	\$ 8,740,314	\$ 8,117,835	\$ 10,256,760	\$ 2,138,925

¹ On behalf payments of \$1,630,378 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, 2017**

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, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0402%	0.0398%	0.0365%
District's proportionate share of the net pension liability	\$ 32,531,165	\$ 26,794,214	\$ 21,339,840
State's proportionate share of the net pension liability associated with the District	18,519,412	14,171,185	12,885,917
Total	<u>\$ 51,050,577</u>	<u>\$ 40,965,399</u>	<u>\$ 34,225,757</u>
District's covered - employee payroll	<u>\$ 19,410,130</u>	<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	167.60%	149.35%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.0430%	0.0452%	0.0427%
District's proportionate share of the net pension liability	<u>\$ 8,492,748</u>	<u>\$ 6,656,053</u>	<u>\$ 4,842,100</u>
District's covered - employee payroll	<u>\$ 5,171,747</u>	<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	164.21%	136.67%	108.13%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,520,449	\$ 2,082,707	\$ 1,593,136
Contributions in relation to the contractually required	<u>2,520,449</u>	<u>2,082,707</u>	<u>1,593,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 20,035,366</u>	<u>\$ 19,410,130</u>	<u>\$ 17,940,721</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 756,755	\$ 612,852	\$ 573,231
Contributions in relation to the contractually required	<u>756,755</u>	<u>612,852</u>	<u>573,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 5,448,200</u>	<u>\$ 5,171,747</u>	<u>\$ 4,870,272</u>
Contributions as a percentage of covered - employee payroll	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
Title III - English Learner Student Program	84.365	14346	\$ 27,623
Title III - Immigrant Education Program	84.365	15146	10,553
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	83,750
Special Education IDEA Cluster:			
Basic Local Assistance, Part B, Sec 611	84.027	13379	658,807
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	18,971
Federal Preschool Grants, Part B, Sec 619	84.173	13430	5,785
Preschool Staff Development, Part B, Sec 619	84.173A	13431	68
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	46,018
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	<u>31,094</u>
Total Special Education IDEA Cluster			<u>760,743</u>
Total U.S. Department of Education			<u>882,669</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE:			
Forest Reserve	10.665	10044	18,750
National School Lunch Program	10.555	13391	<u>27,828</u>
Total U.S. Department of Agriculture			<u>46,578</u>
Total Federal Programs			<u>\$ 929,247</u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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>
Dan F. Jeffries	President	2017
Kaitzer P. Puglia	Vice President	2017
Brent Kuszyk	Clerk	2019
David Sagal	Member	2017
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
Jamie Lewsadder	Chief Technology Officer
Gretchen Bergstrom	Director of Fiscal Services
Lindi Dreibelbis	Chief Director of Assessment, Research, Consolidated Program and CalPADS
Dr. Tamara Jackson	Executive Director of Special Education

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,061.44	1,062.90
Fourth through sixth	924.15	923.77
Seventh and eighth	681.76	680.99
Ninth through twelfth	1,343.24	1,338.73
Total Regular ADA	<u>4,010.59</u>	<u>4,006.39</u>
Extended Year Special Education		
Transitional kindergarten through third	2.97	2.97
Fourth through sixth	9.87	9.87
Seventh and eighth	2.44	2.44
Ninth through twelfth	6.18	6.18
Total Extended Year Special Education	<u>21.46</u>	<u>21.46</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.98	0.93
Fourth through sixth	3.58	3.60
Seventh and eighth	1.82	1.87
Ninth through twelfth	3.32	3.28
Total Special Education, Nonpublic, Nonsectarian Schools	<u>9.70</u>	<u>9.68</u>
Total ADA	<u><u>4,041.75</u></u>	<u><u>4,037.53</u></u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2016-2017	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	39,820	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		58,235	180	N/A	Complied
Grade 2		58,235	180	N/A	Complied
Grade 3		58,235	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,235	180	N/A	Complied
Grade 5		58,235	180	N/A	Complied
Grade 6		58,235	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		65,328	180	N/A	Complied
Grade 8		65,328	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,328	180	N/A	Complied
Grade 10		65,328	180	N/A	Complied
Grade 11		65,328	180	N/A	Complied
Grade 12		65,328	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, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

	(Budget)			
	2018	2017	2016	2015
GENERAL FUND ⁴				
Revenues	\$ 45,475,306	47,312,491	\$ 45,854,304	\$ 40,942,125
Other sources and transfers in	16,000	20,076	14,388	-
Total Revenues and Other Sources	45,491,306	47,332,567	45,868,692	40,942,125
Expenditures	46,014,202	45,391,539	43,903,104	41,347,652
Other uses and transfers out	460,000	614,493	1,647,127	1,181,713
Total Expenditures and Other Uses	46,474,202	46,006,032	45,550,231	42,529,365
INCREASE (DECREASE) IN FUND BALANCE	\$ (982,896)	\$ 1,326,535	\$ 318,461	\$ (1,587,240)
ENDING FUND BALANCE	\$ 6,018,399	\$ 7,001,295	\$ 5,674,760	\$ 5,356,299
AVAILABLE RESERVES ²	\$ 4,264,383	\$ 4,285,892	\$ 5,891,214	\$ 6,803,870
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.18%	9.32%	13.30%	16.00%
LONG-TERM OBLIGATIONS	NA	\$ 27,870,459	\$ 29,391,624	\$ 31,015,993
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,043	4,042	3,963	3,947

The General Fund balance has increased by \$1,644,996 over the past two years. The fiscal year 2017-2018 budget projects an decrease of \$982,896 (14.04 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 an operating surplus in two of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have decreased by \$3,145,534 over the past two years.

Average daily attendance has increased by 95 over the past two years. Additional growth of 1 ADA is anticipated during fiscal year 2017-2018.

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

² Available reserves consist of all 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 and \$924,694, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, and 2015, 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, 2017**

	Cafeteria Fund (13)	Building Fund (21)	Capital Facilities Fund (25)	Special Reserve Fund for Capital Outlay Projects (40)	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	\$ 97,546	\$ 46	\$ 639,705	\$ 1,093,565	\$ 1,830,862
Receivables	3,553	-	29,831	66,025	99,409
Total Assets	\$ 101,099	\$ 46	\$ 669,536	\$ 1,159,590	\$ 1,930,271
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,132	\$ 46	\$ -	\$ 13,530	\$ 23,708
Unearned revenue	65,899	-	-	8,740	74,639
Total Liabilities	76,031	46	-	22,270	98,347
Fund Balances:					
Restricted	24,903	-	669,536	-	694,439
Assigned	165	-	-	1,137,320	1,137,485
Total Fund Balances	25,068	-	669,536	1,137,320	1,831,924
Total Liabilities and Fund Balances	\$ 101,099	\$ 46	\$ 669,536	\$ 1,159,590	\$ 1,930,271

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, 2017

	Cafeteria Fund (13)	Building Fund (21)	Capital Facilities Fund (25)	Special Reserve Fund for Capital Outlay Projects (40)	Total Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 27,828	\$ -	\$ -	\$ -	\$ 27,828
Other State sources	458	-	-	-	458
Other local sources	668,486	-	355,983	336,330	1,360,799
Total Revenues	<u>696,772</u>	<u>-</u>	<u>355,983</u>	<u>336,330</u>	<u>1,389,085</u>
EXPENDITURES					
Current					
Pupil services:					
Food services	764,208	-	-	-	764,208
Administration:					
All other administration	37,128	-	-	-	37,128
Plant services	-	-	-	122,309	122,309
Facility acquisition and construction	-	-	-	663,904	663,904
Total Expenditures	<u>801,336</u>	<u>-</u>	<u>-</u>	<u>786,213</u>	<u>1,587,549</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(104,564)</u>	<u>-</u>	<u>355,983</u>	<u>(449,883)</u>	<u>(198,464)</u>
OTHER FINANCING SOURCES					
Transfers in	113,045	-	-	-	113,045
Transfers out	-	-	-	(65,000)	(65,000)
Net Financing Sources (Uses)	<u>113,045</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>48,045</u>
NET CHANGE IN FUND BALANCES	8,481	-	355,983	(514,883)	(150,419)
Fund Balances - Beginning	16,587	-	313,553	1,652,203	1,982,343
Fund Balances - Ending	<u>\$ 25,068</u>	<u>\$ -</u>	<u>\$ 669,536</u>	<u>\$ 1,137,320</u>	<u>\$ 1,831,924</u>

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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, 2017

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, 2017, 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 November 30, 2017.

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
November 30, 2017



**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, 2017. 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, 2017.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 30, 2017



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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the La Cañada Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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, 2017.

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
November 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

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, 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>No</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, 2017**

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

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