ONTARIO-MONTCLAIR SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ontario-Montclair School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 69, schedule of other postemployment benefits funding progress on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario-Montclair School District's basic financial statements. The accompanying supplementary information such as the combining and individual non

Ontario-Montclair

School District

950 West D Street, -6450 FAX: (909) 459-2555

BUSINESSSERVICES

REPORTING THE DISTRICT 'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds of the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. and California Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $85,164,034 for the fiscal year ended June 30, 2016. Of this amount, $(102,262,152) was unrestricted. Restricted net position is

Changes in Net Position

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

Table 2

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

MANAGEMENT ′S DISCUSSION AND ANALYSIS
JUNE 30, 2016

THE DISTRICT ′S FUNDS

ONTARIO -

ONTARIO -MONTCLAIR SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 147,682,205
Receivables	11,860,387
Prepaid expenses	55,334
Stores inventories	545,607
Capital assets	
Land and construction in progress	10,414,877
Other capital assets	323,237,050
Less accumulat	

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

ONTARIO -MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 117,688,027
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 333,651,927	
Accumulated depreciation is	(125,480,584)	
Net Capital Assets		208,171,343
Expenditures relating to issuance of debt of next fiscal year were recognized or the modified accrual basis, but are not recognized on the accrual basis.		730,513
Expenditures relating to contributions made to pension plans were recognized (the modified accrual basis, but are not recognized on the accrual basis.		16,247,049
In governmental funds, unmatured interest on long-term obligations is recogniz in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(925,282)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fundare included with governmental activities.		13,187,234
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(14,483,346)
The differences between expected and actual experience in the measurement (the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining serv life of members receiving pension benefits.		110,330
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected averag remaining service life of members receiving pension benefits.		20,805,841
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expecte average remaining service life of members receiving pension benefits.		(2,948,412)
Net pension liability is not due and payable in the current p d liability is not due		

The accompanying notes are an integral part of these financial statements

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

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds	$ (48,199,904)
Premium on general obligation bonds	(890,765)
Compensated absences (vacations)	(2,359,079)
Other postemployment benefits (OPEB)	(12,721,200)

In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:

The accompanying notes are an integral part of these financial statements

ONTARIO -MONTCLAIR SCHOOL DISTR ICT

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local control funding formula	$ 198,239,370	$ -	$ -	$ 198,239,370
Federal sources	13,769,246	-	13,781,023	27,550,269
Other state sources	31,572,148			

The accompanying notes are an integral part of these financial statements

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

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

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET P OSITION
JUNE 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

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

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

The ac panyacng notese a6 67n integac p2rt oft(ac)sefnan56 67iTalstaTTT

ONTARIO -MONTCLAIR SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

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

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full-cost recovery basis Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service The District has the following proprietary fund:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis The District operates Workers' Compensation, Property and Liability, and Other Postemployment Benefit Programs that are accounted for in the Internal Service Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the

ONTARIO -MONTCLAIR SCHOOL DI

Accrued Liabilities and Long-Term Obligations

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.

Net Position

In March 2016, the GASB issued Statement No. 82,

Investment in County Treasury

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds34 Tm [(Me)-3(di)-4(um)5d3g5 87.419 Tm [(N)5(*-8(er) aper(Note)-2(s)] TJ ET BT 1 0			

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment P

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

NOTE 4 ± RECEIVABLES

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

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

ONTARIO -

NOTE 6 ± INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and nonmajor governmental funds and internal service funds are as follows:

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

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

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

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

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

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

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

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

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

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

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

Operating Transfers

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

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

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

NOTE 7 ± ACCOUNTS PAYABLE

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

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

NOTE 8 ± UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities

NOTE 9 ±LONG-TERM OBLIGATIONS

Summary

ONTARIO -

NOTE 10 ±

NOTE 11 ±

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 2,927,730	$ 1,322,179	45%	$ 9,979,943
2015	3,022,975	1,510,957	50%	11,491,961
2016	3,019,371	1,790,132	59%	12,721,200

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payrol ([b - a] / c)
November 1, 2014	$ 8,234,319	$ 27,993,743	$ 19,759,424	29%	$ 149,735,992	13%

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

Actuarial Methods and Assumptions

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

Employee Medical Benefits

The District has contracted with Southern California Employee Benefit Association (SCEBA) to provide employee medical and surgical benefits. Dental and vision coverage is provided through the purchase of commercial insurance. The District provides benefits to District employees electing to participate in the plan by paying a premium based on the number of employees participating in the plan.

Claims Liabilities

Benefits Provided

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $11,785,146.

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

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

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

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

$	11,785,146	$ -
	16,975,041	-
	-	2,632,158
$	41,171,107	$ 27,883,332

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

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (5,314,328)
2018	(5,314,328)
2019	(5,314,328)
2020	3,102,730
Total	$ (12,840,254)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and04 Tm [( )] T io [( )]e-2(s)9( ) ots

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 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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were $4,461,903.

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

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

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 78,101,716
Current discount rate (7.65%)	47,986,310
1% increase (8.65%)	22,943,336

Construction Commitments

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

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

NOTE 15 ± PARTICIPAT ION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2016, the District made payments of $25,424,903 and $3,626,862 to SCSEBA and ASCIP, respectively.

NOTE 16 ± RELATED PARTY TRANSACTION

In August 2011, the District entered into a contract of employment with the Superintendent of the District. The contract included a loan for down payment on a house in the amount of $100,000 The loan bears a simple interest rate of five percent on the principal balance, which is waived for each year of service provided to the District. Additionally, the loan principal is reduced by $10,000 for each year of service provided to the District the Superintendent completing eight years of service to the District, the remaining balance of the loan shall be discharged in full As of June 30, 2016, the outstanding balance on the loan was $50,000.

NOTE 17 - SUBSEQUENT EVENTS

2016 General Obligation Refunding Bonds, Series A

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

2016 General Obligation Refunding Bonds, Series B

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

REQUIRED SUPPLEMENTARY INFORMATION

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

	Budgetele 0.03 Tc[(T B Original	Final	Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	$ 196,947,239	$ 197,506,603	$ 198,239,370	$ 732,767
Federal sources	13,672,004	16,502,675	13,769,246	(2,733,429)
Other State sources	21,717,090	31,289,991	31,572,148	282,157
Other local sources	12,875,007	13,110,598	14,154,919	1,044,321
Total Revenues[1]	245,211,340	258,409,867	257,735,683	(674,184)
EXPENDITURES				
Current				
Certificated salaries	111,936,782	115,577,321	113,699,666	1,877,655
Classified salaries	33,005,472	35,206,205	34,733,787	472,418
Employee benefits	44,848,366	54,069,082	52,545,279	1,523,803
Books and supplies	12,303,848	20,962,276	14,769,773	6,192,503
Services and operating expenditures	22,918,405	25,348,656	23,090,560	2,258,096
Other outgo	(352,263)	921,481	578,646	342,835
Capital outlay	122,138	2,507,538	1,504,097	1,003,441
Total Expenditures[1]	224,782,748	254,592,559	240,921,808	13,670,751
Excess (Deficiency) of Revenues Over Expenditures	20,428,592	3,817,308	16,813,875	12,996,567
Other Financing (Uses)				
Transfers in	-	14,068,062	172,493	(13,895,569)
Transfers out	(19,010,035)	(25,523,480)	(7,899,494)	17,623,986
Net Financing (Uses)	(19,010,035)	(11,455,418)	(7,727,001)	3,728,417
NET CHANGE IN FUND BALANCE	1,418,557	(7,638,110)	9,086,874	16,724,984
Fund Balance - Beginning	72,173,589	72,173,589	72,173,589	-
Fund Balance - Ending	$ 73,592,146	$ 64,535,479	$ 81,260,463	$ 16,724,984

[1] On behalf payments of $7,305,918 are included in the actual revenues and expenditures, but have not been included in the original budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

See accompanying note to required supplementary information.

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

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

Note

See accompanying note to required supplementary information.

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

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

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

SUPPLEMENTARY INFORMATION

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education			
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	$ 6,995,455
Title II, Part A, Improving Teacher Quality	84.367	14341	1,158,540
Title II, Part B, California Mathematics and Science Partnerships	84.366	14512	86,665
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	879,674
Title IV, Part B, 21st Century Community Centers Learning Program	84.287	14349	183,021
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	154,887
Passed through West End Special Education Local Plan			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,790,027
Total U.S. Department of Education			12,248,269
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	1,590,209
Passed through San Bernardino County Superintendent of Schools			
Medi-Cal Administrative Activities	93.778	10060	85,008
Subtotal Medi-Cal Assistance Program			1,675,217
Passed through CDE			
Federal Child Care, Center-Based	93.596	13609	88,248
Passed through County of San Bernardino Human Services System			
Head Start	93.600	14.646	177,615
Total U.S. Department of Health and Human Services			1,941,080
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	8,168,003
Especially Needy School Breakfast Program	10.553	13526	2,588,901
Commodities	10.555	13396	1,046,061
Summer Lunch Program	10.559	13004	180,652
Subtotal Child Nutrition Cluster			11,983,617
Child and Adult Care Food Program	10.558	13666	1,462,175
Team Nutrition	10.574	15332	3,664
Fresh Fruit and Vegetable Program	10.582	14968	65,703
Total U.S. Department of Agriculture			13,515,159
Total Expenditures of Federal Awards			$ 27,704,508

See accompanying note to supplementary information.

ONTARIO -MONTCLAIR SCHOOL DIS TRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

The Ontario-Montclair School District was established in 1894 and consists of an area comprising approximately 24 square miles. The District operates 26 elementary schools, six middle schools, a community day school, an independent study program, and a child care program. There were no boundary changes during the year.

GOVERNING BOARD

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

ADMINISTRATION

Dr. James Q. Hammond	Superintendent
Phil Hillq 0.0 re W* n BT 1 0 0 1 166.1 3	

See accompanying note to supplementary information.

ONTARIO -MONTCLAIR SCHOOL DIS TRICT

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

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

See accompanying note to supplementary information.

See accompanying note to supplementary information.

ONTARIO -MONTCLAIR SCHOOL DIS

ONTARIO-MONTCLAIR SCHOOL DISTRICT

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

The General Fund balance has increased by $883,423 over the past two years. The fiscal year 2016-2017 budget projects a further increase of $1,538,527 (2.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have decreased by $691,354 over the past two years.

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

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

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

[3] On behalf payments of $5,655,593 and $5,072,745 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015 and 2014.

[4] General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ONTARIO -MONTCLAIR SCHOOL DIS TRICT

NON-MAJOR GOVERNMENTAL FUNDS
COM

See accompanying note to supplementary information.

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

ONTARIO -MONTCLAIR SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUE S, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

See accompanying note to supplementary information.

ONTARIO

ONTARIO -MONTCLAIR SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information.

INDEPENDENT AUDITOR'S REPORTS

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District is an elementary school district and does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

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

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

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

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

Rancho Cucamonga, California
December 2, 2016

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

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

Identification of major Federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 831,135
Auditee qualified as low-risk auditee	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

None reported.

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

None reported.

ONTARIO -MONTCLAIR SCHOOL DISTRICT

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

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

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

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

.

Governing Board
Ontario-Montclair School District
Ontario, California

In planning and performing our audit of the financial statements of Ontario-Montclair School District, (the District) for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2016 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Lincoln Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that five of five deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 112 to 188 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Central Elementary School

Observation

Based on the review of the cash receipting procedures, it was noted that the deposit batch tested was not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 63 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

10 1 ... 300 ... 1/30 ... 0 .4 .4410 ... 0 .4 .4431

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Observation

Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. The deposit batch tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if deposits were intact and deposited in a timely manner.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators, who collect monies, should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Vina Danks Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that 159 of 159 receipts tested were not deposited

Vavrinek, Trine, Day & Co., LLP