LOMPOC UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LOMPOC UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

LOMPOC UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 17 to the financial statements, in 2016, the District began receiving a dedicated revenue source for its Adult Education Fund. As a result, the Adult Education Fund meets the definition of a special revenue fund under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition* and is reported accordingly. Our opinion is not modified with respect to this matter.

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 65, schedule of other postemployment benefits funding progress on page 66, schedule of the District's proportionate share of the net pension liability on page 67, and the schedule of District contributions on page 68, 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 Lompoc Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Lompoc Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lompoc Unified School District's internal control over financial reporting and compliance.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2016

Teach · Learn · Succeed
LOMPOC UNIFIED SCHOOL DISTRICT

ELEMENTARY SCHOOLS

ARTHUR HAPGOOD
(805) 742-2200

BUENA VISTA
(805) 742-2020

CLARENCE RUTH
(805) 742-2500

CRESTVIEW
(805) 742-2050

LA CANADA
(805) 742-2250

LA HONDA
(805) 742-2300

LENORA FILLMORE
(805) 742-2100

LOS BERROS
(805) 742-2350

MIGUELITO
(805) 742-2440

MIDDLE SCHOOLS

LOMPOC VALLEY
(805) 742-2600

VANDENBERG
(805) 742-2700

HIGH SCHOOLS

CABRILLO
(805) 742-2900

LOMPOC
(805) 743-3000

MAPLE
(805) 742-3150

ALTERNATIVE SCHOOLS

MISSION VALLEY
(805) 742-3252

LOMPOC ADULT EDUCATION
(805) 742-3100

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Lompoc Unified School District 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.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

The primary unit of the government is the Lompoc Unified School District.

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the 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 present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities. The District reports all of its services in this category.

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.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Overall at the conclusion of the 2015-2016 school year, the District's General Fund balance was $20,339,078.

- Total General Fund revenues and other sources for 2015-2016 were $106,618,370.
- Total General Fund expenditures and other uses for 2015-2016 were $102,077,178
- The cost of instructional-related activities and pupil services in the General Fund were $77,258,335.
- The funded Average Daily Attendance (ADA) for the District in 2015-2016 was 9, 295.03 which was higher than originally budgeted.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $4,288,575 for the fiscal year ended June 30, 2016. Of this amount, $(63,366,474) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 34,460,246	$ 27,278,122
Capital assets	85,531,067	86,012,198
Total Assets	**119,991,313**	**113,290,320**
Deferred Outflows of Resources	**24,176,398**	**7,108,048**
Liabilities		
Current liabilities	6,891,739	4,061,351
Long-term obligations	33,776,094	32,599,011
Aggregate net pension liability	82,605,937	63,371,634
Total Liabilities	**123,273,770**	**100,031,996**
Deferred Inflows of Resources	**16,605,366**	**17,053,325**
Net Position		
Net investment in capital assets	59,089,383	57,471,599
Restricted	8,565,666	6,740,738
Unrestricted	(63,366,474)	(60,899,290)
Total Net Position	**$ 4,288,575**	**$ 3,313,047**

The $(63,366,474) in unrestricted net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position increased by 4.1 percent $(63,366,474) compared to $(60,899,290).

Changes in Net Position

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

Table 2

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 899,763	$ 1,245,794
Operating grants and contributions	15,206,824	12,285,671
General revenues:		
Federal and State aid not restricted	70,567,550	58,199,297
Property taxes	23,864,922	21,401,980
Other general revenues	8,529,232	8,061,538
Total Revenues	**119,068,291**	**101,194,280**
Expenses		
Instruction-related	79,710,686	68,726,694
Pupil services	11,800,441	10,632,968
Administration	6,959,618	5,723,174
Plant services	11,514,344	9,944,702
Other	8,107,674	7,910,418
Total Expenses	**118,092,763**	**102,937,956**
Change in Net Position	**$ 975,528**	**$ (1,743,676)**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $118,092,763. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $23,864,922 because the cost was paid by those who benefited from the programs $(899,763) or by other governments and organizations who subsidized certain programs with grants and contributions $(15,206,824). We paid for the remaining "public benefit" portion of our governmental activities with $79,096,782 in Federal and State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction and instruction-related activities, pupil services, administration, plant services, and all other functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost of Services	
	2016	2015
Instruction	$ 62,828,614	$ 53,510,886
Instruction-related activities	7,350,070	7,429,171
Pupil services	7,255,864	6,928,012
Administration	6,352,719	5,261,302
Plant services	11,455,612	9,903,511
All other	6,743,297	6,373,609
Total	**$ 101,986,176**	**$ 89,406,491**

The increase in total cost of services was primarily due to 4.25 percent salary increase for all employee groups which also resulted in increase in benefits costs as well. The District increased services and expenses in accordance with Local Control Accountability Plan (LCAP) and Local Control Funding Formula (LCFF) supplemental and concentration funds, and the State Common Core State Standard implementation.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $27,904,473, which is an increase of $4,318,000 from last year. (Table 4)

Table 4

	Balances and Activity			
	July 01, 2015 as restated	Revenues	Expenditures	June 30, 2016
General Fund	$ 15,797,886	$ 106,618,370	$ 102,077,178	$ 20,339,078
Special Reserve Fund for Capital Outlay Projects	621,529	1,230,938	1,862,059	(9,592)
Bond Interest and Redemption	2,913,573	3,860,302	3,217,594	3,556,281
Adult Education Fund	452,759	922,677	526,231	849,205
Cafeteria Fund	1,491,811	3,689,279	3,939,002	1,242,088
Building Fund	438,806	2,554	142,075	299,285
Capital Facilities Fund	1,870,109	128,370	370,351	1,628,128
Total	**$ 23,586,473**	**$ 116,452,490**	**$ 112,134,490**	**$ 27,904,473**

The primary reasons for these increases/decreases are:

a. The General Fund is the district's principal operating fund. The fund balance in the General Fund increased from $15.8 million to $20.3 million primarily due to additional State Aid funding under the LCFF revenue in 2015-2016.
b. The Adult Education Fund increased fund balance due to additional funding related to AB104 and AB86.
c. The Bond Interest and Redemption Fund is County controlled and dependent on the structure of the debt.
d. The Cafeteria Fund decrease in fund balance is due to a combination of salary increases in 2015-2016, and cafeteria modernization at two sites.
e. The Building Fund (Measure N) funds decreased to pay for painting and roofing project.
f. The Capital Facilities Fund reflects minimal increase due to the continued construction slowdown within the District.
g. The Special Reserve Fund for Capital Outlay Projects funds were used to complete the asphalt project.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 15, 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $85,531,067 in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $481,131, from last year (Table 5).

Table 5

	Governmental Activities	
	2016	2015
Land and construction in process	$ 11,743,327	$ 11,103,222
Land improvements	8,361,000	7,041,658
Buildings and improvements	61,387,031	64,820,640
Furniture and equipment	4,039,709	3,046,678
Total	**$ 85,531,067**	**$ 86,012,198**

We provide more detailed information regarding capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $33,776,094 in long-term obligations versus $32,599,011 last year. The obligations consisted of the following:

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds - net (financed with property taxes)	$ 29,185,292	$ 31,232,790
Capital lease obligations	-	20,290
Early retirement incentives	3,180,890	155,397
Other postemployment benefits (OPEB)	701,256	544,196
Accumulated vacation - net	708,656	646,338
Total	**$ 33,776,094**	**$ 32,599,011**

We provide more detailed information regarding long-term obligations in Note 9 of the financial statements.

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 is significantly below statutorily imposed limit.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $82,605,937, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:

- Successful update of the District's Local Control Accountability Plan (LCAP) and integration of the Local Control Funding Formula (LCFF).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria:

Revenues:

- The Local Control Funding Formula (LCFF) calculations including a 1.02 percent COLA plus a GAP funding rate of 51.52 percent increase revenue, and the District expects increase enrollment.
- Federal revenues will maintain with the 2013-2014 funding levels.
- Other State revenues will increase due to one-time funding of $528 per ADA.
- Other Local revenues will decrease due to revenue not being budgeted until received.

Expenditures:

- Certificated staffing will increase due to increase enrollment projections.
- Classified staffing will increase due to the hiring of additional Maintenance and Operations staff as per Local Control Accountability Plan (LCAP).
- Benefits will increase due to increase of Health Insurance, STRS, and PERS rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Irma Manzo, Interim Assistant Superintendent, Business Services, at Lompoc Unified School District, 1301 North “A” Street, P.O. Box 8000, Lompoc, California, 93438-8000, or e-mail at imanzo@lusd.org.

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 29,971,121
Receivables	4,243,487
Prepaid expenses	115,376
Stores inventories	130,262
Capital Assets	
Land and construction in process	11,743,327
Other capital assets	148,411,705
Less: Accumulated depreciation	(74,623,965)
Total Capital Assets	85,531,067
Total Assets	119,991,313
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	986,430
Deferred outflows of resources related to pensions	23,189,968
Total Deferred Outflows of Resources	24,176,398
LIABILITIES	
Accounts payable	6,079,183
Accrued interest payable	335,966
Unearned revenue	476,590
Long-term obligations:	
Current portion of long-term obligations other than pensions	3,476,520
Noncurrent portion of long-term obligations other than pensions	30,299,574
Total Long-Term Obligations	33,776,094
Aggregate net pension liability	82,605,937
Total Liabilities	123,273,770
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	16,605,366
NET POSITION	
Net investment in capital assets	59,089,383
Restricted for:	
Debt service	3,220,315
Capital projects	1,628,128
Educational programs	2,356,054
Other activities	1,361,169
Unrestricted	(63,366,474)
Total Net Position	$ 4,288,575

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

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 70,005,879	$ 156,397	$ 7,020,868	$ (62,828,614)
Instruction-related activities:				
Supervision of instruction	2,288,263	2,278	1,851,364	(434,621)
Instructional library, media, and technology	1,197,085	-	16,863	(1,180,222)
School site administration	6,219,459	50,581	433,651	(5,735,227)
Pupil services:				
Home-to-school transportation	2,139,633	-	341,210	(1,798,423)
Food services	3,642,534	587,741	2,829,271	(225,522)
All other pupil services	6,018,274	17,002	769,353	(5,231,919)
Administration:				
Data processing	1,711,611	-	-	(1,711,611)
All other administration	5,248,007	38,905	567,994	(4,641,108)
Plant services	11,514,344	9,377	49,355	(11,455,612)
Ancillary services	1,384,487	-	395	(1,384,092)
Interest on long-term obligations	1,205,471	-	-	(1,205,471)
Other outgo	5,517,716	37,482	1,326,500	(4,153,734)
Total Governmental Activities	$ 118,092,763	$ 899,763	$ 15,206,824	(101,986,176)
	General revenues and subventions:			
	Property taxes, levied for general purposes			19,904,810
	Property taxes, levied for debt service			3,849,650
	Taxes levied for other specific purposes			110,462
	Federal and State aid not restricted to specific purposes			70,567,550
	Interest and investment earnings			125,519
	Transfers			382,542
	Miscellaneous			8,021,171
	Subtotal, General Revenues			102,961,704
	Change in Net Position			975,528
	Net Position - Beginning			3,313,047
	Net Position - Ending			$ 4,288,575

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 21,883,032	$ 622,544	$ 3,552,002
Receivables	3,282,553	745	4,279
Due from other funds	547,742	400,000	-
Prepaid expenditures	102,982	4,015	-
Stores inventories	90,119	-	-
Total Assets	$ 25,906,428	$ 1,027,304	$ 3,556,281
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 4,639,450	$ 1,036,896	$ -
Due to other funds	484,366	-	-
Unearned revenue	443,534	-	-
Total Liabilities	5,567,350	1,036,896	-
Fund Balances:			
Nonspendable	198,101	4,015	-
Restricted	2,356,054	-	3,556,281
Committed	1,938,237	-	-
Assigned	12,771,154	-	-
Unassigned	3,075,532	(13,607)	-
Total Fund Balances	20,339,078	(9,592)	3,556,281
Total Liabilities and Fund Balances	$ 25,906,428	$ 1,027,304	$ 3,556,281

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

Non-Major Governmental Funds	Total Governmental Funds
$ 3,913,543	$ 29,971,121
955,910	4,243,487
84,366	1,032,108
8,379	115,376
40,143	130,262
$ 5,002,341	$ 35,492,354
$ 402,837	$ 6,079,183
547,742	1,032,108
33,056	476,590
983,635	7,587,881
53,522	255,638
3,288,582	9,200,917
-	1,938,237
676,602	13,447,756
-	3,061,925
4,018,706	27,904,473
$ 5,002,341	$ 35,492,354

LOMPOC UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 27,904,473**
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	$ 160,155,032	
Accumulated depreciation is	(74,623,965)	
Net Capital Assets		85,531,067
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included in the government-wide statements.		986,430
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		6,611,189
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.		6,967,831
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.		(335,966)
The difference between projected and actual earnings on pension plan investments is not recognized on the modified accrual basis, but is recognized on the accrual basis as an adjustment to pension expense.		(5,846,993)
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.		5,044
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(1,152,469)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(82,605,937)

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

LOMPOC UNIFIED SCHOOL DISTRICT

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:		
Bonds payable	$ (25,665,971)	
Unamortized premium	(2,061,428)	
Supplemental Early Retirement Plan	(2,809,620)	
Early retirement incentives	(371,270)	
Other postemployment benefits (OPEB)	(701,256)	
Compensated absences (vacations)	(708,656)	
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:	(1,457,893)	
Total Long-Term Obligations		$ (33,776,094)
Total Net Position - Governmental Activities		**$ 4,288,575**

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 82,169,932	$ -	$ -
Federal sources	6,379,386	-	-
Other State sources	15,375,849	129,880	41,942
Other local sources	2,693,203	1,058	3,818,360
Total Revenues	106,618,370	130,938	3,860,302
EXPENDITURES			
Current			
Instruction	60,550,880	-	-
Instruction-related activities:			
Supervision of instruction	2,064,571	-	-
Instructional library, media, and technology	1,121,206	-	-
School site administration	5,681,294	-	-
Pupil services:			
Home-to-school transportation	2,428,334	-	-
Food services	-	-	-
All other pupil services	5,412,050	-	-
Administration:			
Data processing	2,042,927	-	-
All other administration	4,672,557	-	-
Plant services	9,693,202	-	-
Facility acquisition and construction	1,534,872	1,862,059	-
Ancillary services	1,333,931	-	-
Other outgo	4,417,716	-	-
Debt service			
Principal	20,290	-	2,055,000
Interest and other	3,348	-	1,162,594
Total Expenditures	100,977,178	1,862,059	3,217,594
Excess (Deficiency) of Revenues Over Expenditures	5,641,192	(1,731,121)	642,708
Other Financing Sources (Uses)			
Transfers in	-	1,100,000	-
Transfers out	(1,100,000)	-	-
Net Financing Sources (Uses)	(1,100,000)	1,100,000	-
NET CHANGE IN FUND BALANCES	4,541,192	(631,121)	642,708
Fund Balance - Beginning, as restated	15,797,886	621,529	2,913,573
Fund Balance - Ending (deficit)	$ 20,339,078	$ (9,592)	$ 3,556,281

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 82,169,932
2,895,173	9,274,559
888,619	16,436,290
959,088	7,471,709
4,742,880	115,352,490
301,881	60,852,761
-	
-	2,064,571
-	1,121,206
144,818	5,826,112
-	2,428,334
3,652,792	3,652,792
50,323	5,462,373
-	2,042,927
222,043	4,894,600
115,893	9,809,095
489,909	3,886,840
-	1,333,931
-	4,417,716
-	2,075,290
-	1,165,942
4,977,659	111,034,490
(234,779)	4,318,000
-	1,100,000
-	(1,100,000)
-	-
(234,779)	4,318,000
4,253,485	23,586,473
$ 4,018,706	$ 27,904,473

LOMPOC UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ 4,318,000**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (5,240,357)	
Capital outlays	4,759,226	
Net Expense Adjustment		(481,131)
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(157,060)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives and supplemental medical overage are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives and supplemental medical coverage added were more than amount paid by $215,873. Vacation earned was more than the amounts used by $62,318.		(278,191)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(1,652,235)
The District offered a supplemental early retirement program during the year. The District's commitment to the program is $3,511,941. During the year the District made one payment toward the commitment in the amount of $702,321.		(2,809,620)
Repayment of debt 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		2,055,000
Capital lease obligation		20,290

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

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment includes amortization of debt premium and deferred amount on refunding.				
Amortization of debt premium	$	228,909		
Amortization of deferred amount on refunding		(65,759)		
Combined Adjustment			$	163,150
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $33,736, and second, $236,411 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.				(202,675)
Change in Net Position of Governmental Activities			**$**	**975,528**

LOMPOC UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

		Agency Funds
ASSETS		
Deposits and investments	$	635,473
Receivables		12,825
Stores inventories		4,834
Total Assets	$	653,132
LIABILITIES		
Due to student groups	$	653,132

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lompoc Unified School District (the District) was unified on July 1, 1960, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program, and an independent study program.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues and expenditures and other financing uses of $929,903, $3,106,533and $4,463,009, , respectively.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

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

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.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenue for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. 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, of the District and for each governmental function, and exclude 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. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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 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. For the District, available generally means expected to be received within ninety days of fiscal year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general 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 government-wide statements.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the Santa Barbara County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental and agency 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 and as expenses in the fiduciary fund type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated, if applicable.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable 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.

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 Assets. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

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 charge on the refunding of general obligation bonds and for pension-related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

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 on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first 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 $8,565,666 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 on the financial statements. Interfund transfers are eliminated in the governmental columns of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 29,971,121
Fiduciary funds	635,473
Total Deposits and Investments	$ 30,606,594

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

Cash on hand and in banks	$ 510,908
Cash in revolving	10,000
Investments	30,085,686
Total Deposits and Investments	$ 30,606,594

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Santa Barbara County Treasury pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $30,085,686 with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 419 days.

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 investment with the Santa Barbara County Treasury Investment Pool is currently not rated, nor is required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $596,008 was not exposed to custodial credit risk because it was fully insured.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 **-** Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 **-** Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 **-** Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Barbara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	$ 30,085,686	$ 30,085,686

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	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	$ 1,440,058	$ -	$ -	$ 745,413	$ 2,185,471	$ -
State Government						
Categorical aid	-	-	-	57,745	57,745	-
Lottery	1,116,239	-	-	-	1,116,239	-
Special education	89,302	-	-	-	89,302	-
Local Government						
SELPA	304,792	-	-	-	304,792	-
Interest	3,156	745	4,279	4,687	12,867	-
Other local sources	329,006	-	-	148,065	477,071	12,825
Total	$ 3,282,553	$ 745	$ 4,279	$ 955,910	$ 4,243,487	$ 12,825

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 9,336,000	$ -	$ -	$ 9,336,000
Construction in process	1,767,222	2,994,208	2,354,103	2,407,327
Total Capital Assets Not Being Depreciated	11,103,222	2,994,208	2,354,103	11,743,327
Capital Assets Being Depreciated				
Land improvements	12,645,570	1,899,334	-	14,544,904
Buildings and improvements	119,737,952	609,525	-	120,347,477
Furniture and equipment	11,909,062	1,610,262	-	13,519,324
Total Capital Assets Being Depreciated	144,292,584	4,119,121	-	148,411,705
Less Accumulated Depreciation				
Land improvements	5,603,912	579,992	-	6,183,904
Buildings and improvements	54,917,312	4,043,134	-	58,960,446
Furniture and equipment	8,862,384	617,231	-	9,479,615
Total Accumulated Depreciation	69,383,608	5,240,357	-	74,623,965
Governmental Activities Capital Assets, Net	$ 86,012,198	$ 1,872,972	$ 2,354,103	$ 85,531,067

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,464,826
Home-to-school transportation	13,820
All other pupil services	302,093
Plant services	1,459,618
Total Depreciation Expenses Governmental Activities	$ 5,240,357

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2016, between major governmental funds and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 547,742	$ 547,742
Special Reserve Fund for Capital Outlay Projects	400,000	-	400,000
Non-Major Governmental Funds	84,366	-	84,366
Total	$ 484,366	$ 547,742	$ 1,032,108

A balance of $173,031 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from reimbursement of payroll expenditures and indirect cost charges.

A balance of $374,557 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from reimbursement of payroll expenditures and indirect cost charges.

The balance of $27,276 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from payroll and catering costs.

The balance of $57,000 due to the Building Non-Major Governmental Fund from the General Fund resulted from reimbursement for roofing projects.

The balance of $400,000 due to the Special Reserve Fund for Capital Outlay Projects from the General Fund resulted from an interfund loan for construction projects.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

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

The General Fund tranferred $1,100,000 to the Special Reserve Fund for Capital Outlay Projects to reimburse for projects accounted for in that fund

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	$ 2,720,284	$ -	$ 42,112	$ 2,762,396
LCFF apportionment	86,180	-	-	86,180
State categorical aid	-	-	712	712
Supplies and materials	468,344	-	20,257	488,601
Services	698,786	-	155,897	854,683
Capital outlay	645,237	1,036,896	183,859	1,865,992
Other local governments	7,541		-	7,541
Other vendor payables	13,078	-	-	13,078
Total	$ 4,639,450	$ 1,036,896	$ 402,837	$ 6,079,183

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 109,774	$ 33,056	$ 142,830
State categorical aid	287,387	-	287,387
Other local	46,373	-	46,373
Total	$ 443,534	$ 33,056	$ 476,590

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds payable	$ 28,942,453	$ 236,411	$ 2,055,000	$ 27,123,864	$ 2,540,000
Premium on issuance	2,290,337	-	228,909	2,061,428	-
Capital lease	20,290	-	20,290	-	-
Early retirement incentives	148,532	341,511	118,773	371,270	234,132
Supplemental Early Retirement Incentive	-	3,511,941	702,321	2,809,620	702,388
Supplemental medical coverage	6,865	-	6,865	-	-
Other postemployment benefits (OPEB)	544,196	317,628	160,568	701,256	-
Accumulated vacation - net	646,338	62,318	-	708,656	-
	$ 32,599,011	$ 4,469,809	$ 3,292,726	$ 33,776,094	$ 3,476,520

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the early retirement incentive were made by the General Fund. Payments for other postemployment benefits are paid by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Obligations related to capital leases, supplemental early retirement incentives and supplemental medical coverage are paid by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted	Redeemed	Bonds Outstanding End of Year
6/1/2007	6/1/2032	3.5-5.00%	$ 11,500,000	$ 605,000	$ -	$ -	$ 290,000	$ 315,000
5/1/2008	8/1/2022	3.5-5.25%	21,605,971	18,602,453	-	236,411	1,745,000	17,093,864
4/15/2015	6/1/2032	2.00-5.00%	9,920,000	9,735,000	-	-	20,000	9,715,000
				$ 28,942,453	$ -	$ 236,411	$ 2,055,000	$ 27,123,864

General Obligation Bonds, Election of 2002, Series C

In June 2007, the District issued the $11,500,000 General Obligation Bonds, Election of 2002, Series C. The 2002, Series C Bonds were issued as current interest bonds. The bonds mature through June 1, 2032, with interest yields ranging from 3.50 to 5.00 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. In April 2015, the District refunded $9,570,000 of the General Obligation Bonds, Election of 2002, Series C with the issuance of the 2015 General Obligation Refunding Bonds. At June 30, 2016, the principal balance outstanding was $315,000.

2008 General Obligation Refunding Bonds

In May 2008, the District issued the $21,605,971 2008 General Obligation Refunding Bonds. The 2008 Refunding Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of $4,485,000. The bonds mature through August 1, 2022, with interest yields ranging from 3.50 to 5.25 percent. Proceeds from the sale of the bonds were used to refund portions of the General Obligation Bonds, Election of 2002, the General Obligation Bonds, Election of 2002, Series B, and pay costs of issuance of the refunding bonds. At June 30, 2016, the principal balance outstanding was $17,093,864

2015 General Obligation Refunding Bonds

In April, 2015, the District issued the $9,920,000 General Obligation Refunding Bonds. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $10,622,193 (representing the principal amount of $9,920,000 and premium of $918,137, less cost of issuance of $215,944). The bonds have a final maturity to occur on June 1, 2032, with interest yields ranging from 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to refund portions of the District's outstanding General Obligation Bonds, Election of 2002, Series C. As of June 30, 2016, the principal balance outstanding was $9,715,000.

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2017	$ 2,540,000	-	$ 1,071,019	$ 3,611,019
2018	2,885,000	-	939,694	3,824,694
2019	3,225,000	-	791,469	4,016,469
2020	3,565,000	-	622,419	4,187,419
2021	3,975,000	-	430,988	4,405,988
2022-2026	5,858,864	1,586,136	1,307,156	8,752,156
2027-2031	4,090,000	-	574,056	4,664,056
2032	985,000	-	32,013	1,017,013
Total	$ 27,123,864	$ 1,586,136	$ 5,768,814	$ 34,478,814

Capital Lease

The District has entered into an agreement to lease a copier. The agreement is, in substance, a purchase and was reported as a capital lease obligation. The District has fulfilled its lease obligation.

Early Retirement Incentives

The District provides early retirement incentives, in accordance with District employment contracts, to employees who retire from the District and meet certain eligibility requirements. Employees have various payment options, ranging from a lump-sum payment to payments over several years.

Classified Management Early Retirement Plans:

Option I: Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 55 are eligible to participate in this early retirement incentive program. Qualifying employees receive 15 percent of their last 12 months' salary for a maximum of five years. One retiree met the eligibility requirements; however the contract amount has been fully paid as of June 30, 2016.

Option II: Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 57 are eligible to participate in this early retirement incentive program. Qualifying employees receive 17 percent of their last 12 months' salary for a maximum of five years. Currently, four retirees meet those eligibility requirements. The outstanding contract amount for this purpose is $80,785.

New: Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 57 are eligible to participate in this early retirement incentive program. Qualifying employees receive 17 percent of their last 12 months' salary for a maximum of five years. Currently, 17 retirees meet those eligibility requirements. The outstanding contract amount for this purpose is $290,485.

At June 30, 2016, future minimum payments on early retirement incentive were as follows:

Fiscal Year	Balance June 30, 2016
2017	$ 234,142
2018	86,882
2019	50,246
Total	$ 371,270

Supplemental Early Retirement Incentives

Classified Employees:

During 2015-2016 fiscal year, the District offered a Supplemental Early Retirement Incentive. Classified employees with at least five years of full-time CalPERS service in the District and attainment of age 50 are eligible to participate in this supplemental early retirement incentive program. Qualifying employees receive a payment each year for medical insurance benefits. The District's obligation under the terms of the agreement expired during the 2015-2016 fiscal year. Eligible participants receive 80 percent of their final annual pay deposited to an IRC Section 403 (b) account in five annual installments. There are 49 participants in the plan.

At June 30, 2016, future minimum payments on supplemental early retirement incentives were as follows:

Fiscal Year	Balance as of June 30, 2016
2017	$ 702,388
2018	702,388
2019	702,388
2020	702,456
Total	$ 2,809,620

Supplemental Medical Coverage

The District currently pays for additional medical coverage for a retired Superintendent. The District's obligation under the terms of the agreement expired during the 2015-2016 fiscal year.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was $327,331, and contributions made by the District during the year were $160,568. Interest on the net OPEB obligation and adjustments to the annual required contribution were $21,768 and $(31,471), respectively, which resulted in an increase to the net OPEB obligation of $157,060. As of June 30, 2016, the net OPEB obligation was $701,256. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $708,656.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 5,000	$ -	$ -	$ 5,000	$ 10,000
Stores inventories	90,119	-	-	40,143	130,262
Prepaid expenditures	102,982	4,015	-	8,379	115,376
Total Nonspendable	198,101	4,015	-	53,522	255,638
Restricted					
Legally restricted programs	2,356,054	-	-	1,361,169	3,717,223
Capital projects	-	-	-	1,927,413	1,927,413
Debt services	-	-	3,556,281	-	3,556,281
Total Restricted	2,356,054	-	3,556,281	3,288,582	9,200,917
Committed					
Stabilization	1,938,237	-	-	-	1,938,237
Assigned					
Multi-year projection deficit	6,141,251	-	-	-	6,141,251
Future capital projects	2,500,000	-	-	-	2,500,000
LCFF supplemental/concentration	2,000,000	-	-	-	2,000,000
Technology infrastructure	500,000	-	-	-	500,000
Seismic design/architect	200,000	-	-	-	200,000
Deferred maintenance program	1,148,027	-	-	-	1,148,027
Other post employment benefits	281,876	-	-	-	281,876
Adult education programs				515,360	515,360
Cafeteria equipment and repairs	-		-	161,242	161,242
Total Assigned	12,771,154	-	-	676,602	13,447,756
Unassigned					
Reserve for economic uncertainties	2,907,356	-	-	-	2,907,356
Remaining unassigned	168,176	(13,607)	-	-	154,569
Total Unassigned	3,075,532	(13,607)	-	-	3,061,925
Total	$ 20,339,078	$ (9,592)	$ 3,556,281	$ 4,018,706	$ 27,904,473

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2016, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	$ 97,939,471	$ 102,077,178	$ 4,137,707

* Includes on behalf payments of $3,101,922. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and Expenditures pertaining to these funds is included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

As a result of an audit adjustment, the Special Reserve Fund for Capital Outlay Projects ended the year with a deficit fund balance of $9,592.

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Lompoc Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 32 retirees and beneficiaries currently receiving benefits and 409 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Lompoc Federation of Teachers (LFT), and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed $160,568 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 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	$ 327,331
Interest on net OPEB obligation	21,768
Adjustment to annual required contribution	(31,471)
Annual OPEB cost (expense)	317,628
Contributions made	(160,568)
Increase in net OPEB obligation	157,060
Net OPEB obligation, beginning of year	544,196
Net OPEB obligation, end of year	$ 701,256

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	$ 323,834	$ 200,605	61.95%	$ 378,177
2015	320,588	154,569	48.21%	544,196
2016	317,628	160,568	50.55%	701,256

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, 2014	$ -	$ 3,295,041	$ 3,295,041	0.00%	$ 54,559,974	6.04%

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the project unit credit method was used. The actuarial assumptions included a four percent discount rate and a medical trend assumption of eight percent for 2015-2016, graded down by one percent per year to an ultimate five percent per year beginning in 2017. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 24 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District's risk management activities are recorded in the General Fund. The District participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2016, information was not available that indicates that the District has an outstanding obligation for any calculated deficits. See Note 16 for additional information regarding the pools.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 63,849,154	$ 17,104,136	$ 11,302,393	$ 5,901,121
CalPERS	18,756,783	6,085,832	5,302,973	2,362,299
Total	$ 82,605,937	$ 23,189,968	$ 16,605,366	$ 8,263,420

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $4,677,937.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	$	63,849,154
State's proportionate share of the net pension liability associated with the District		33,769,164
Total	$	97,618,318

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 0.0948 percent and 0.0830 percent, resulting in a net increase in the proportionate share of 0.0118 percent.

For the year ended June 30, 2016, the District recognized pension expense of $5,901,121. In addition, the District recognized pension expense and revenue of $3,101,922 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,677,937	$ -
Net change in proportionate share of net pension liability	7,395,485	-
Difference between projected and actual earnings on pension plan investments	5,030,714	10,235,459
Differences between expected and actual experience in the measurement of the total pension liability	-	1,066,934
Total	$ 17,104,136	$ 11,302,393

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	$ (2,154,141)
2018	(2,154,141)
2019	(2,154,141)
2020	1,257,678
Total	$ (5,204,745)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 1,054,758
2018	1,054,758
2019	1,054,758
2020	1,054,758
2021	1,054,758
Thereafter	1,054,761
Total	$ 6,328,551

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 96,407,253
Current discount rate (7.60%)	63,849,154
1% increase (8.60%)	36,790,747

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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)	
	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	7.000%	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 $1,933,252.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $18,756,783. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.1273 percent and 0.1310 percent, resulting in a net decrease in the proportionate share of 0.0037 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,362,299. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,933,252	$ -
Net change in proportionate share of net pension liability	-	427,654
Difference between projected and actual earnings on pension plan investments	3,080,602	3,722,850
Differences between expected and actual experience in the measurement of the total pension liability	1,071,978	-
Changes of assumptions	-	1,152,469
Total	$ 6,085,832	$ 5,302,973

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	$ (470,800)
2018	(470,800)
2019	(470,800)
2020	770,152
Total	$ (642,248)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (175,223)
2018	(175,223)
2019	(157,699)
Total	$ (508,145)

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
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%)	$ 30,528,226
Current discount rate (7.65%)	18,756,783
1% increase (8.65%)	8,968,041

Self-Insured Schools of California (SISC) Defined Benefit Plan Description

The District contributes to the SISC Defined Benefit Plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by SISC. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by the SISC Board of Trustees. The SISC Defined Benefit Plan issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the SISC Defined Benefit Plan annual financial report may be obtained from SISC, 1300 17th Street - City Centre, Bakersfield, California 93303.

Active plan members are not required to contribute. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the SISC Board of Trustees. The required employer contribution rate for fiscal year 2015-16 was 3.2 percent for previously covered employees hired prior to January 1, 2013, and 1.6 percent for employees hired on or after that date. There are no contribution requirements of the plan members hired prior to January 31, 2013. The District's contributions to the SISC Defined Benefit Plan for the fiscal years ending June 30, 2016, 2015, and 2014, were $31,116, $23,242, and $14,435, respectively, and equal 100 percent of the required contributions.

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 $3,101,922 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Grand Jury Investigation

The District has been the subject of an investigation by the Santa Barbara County Grand Jury (Jury). The Jury's findings include the possibility of conflicts of interest, questions about the appropriateness of certain transactions, and concerns with staff supervision. The District has provided responses to the Jury's findings. The full report and the District's responses may be found on the website of the Santa Barbara County Grand Jury.

Operating Leases

The District has entered into operating leases for copiers with lease terms in excess of one year. The leases expire between October 31, 2017, and March 31, 2021 Total expenditures for fiscal year ended June 30, 2016 were $69,186.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2017	$ 100,582
2018	99,154
2019	98,440
2020	98,440
2021	30,691
Total	$ 427,307

Construction Commitments

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

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Summer Painting Projects		
La Canada Elementary School	$ 297	7/5/16
Miguelito Elementary School	5,302	7/5/16
Vandenberg Middle School	490	7/5/16
Summer Roofing Projects		
La Mesa Elementary School	18,427	7/11/16
Fillmore Elementary School	2,977	7/11/16
Flooring Projects		
Buena Vista Elementary School	10,131	7/29/16
Lompoc Valley Middle School	17,678	7/29/16
Vandenberg Middle School	113,907	7/11/16
Kitchen Remodel Projects		
Fillmore Elementary School	31,249	8/15/16
Ruth Elementary School	18,479	8/15/16
Summer Paving Projects		
Buena Vista Elementary School	62,041	8/31/16
Hapgood Elementary School	278,003	8/31/16
La Honda Elementary School	69,290	8/31/16
La Mesa Elementary School	48,306	8/31/16
Los Berros Elementary School	28,980	8/31/16
Los Padres Elementary School	21,735	8/31/16
Miguelito Elementary School	24,263	8/31/16
Ruth Elementary School	40,184	8/31/16
Lompoc Valley Middle School	65,725	8/31/16
Vandenberg Middle School	98,869	8/31/16
Cabrillo High School	66,417	8/31/16
Portable Projects		
Los Berros Elementary School	13,435	11/15/16
Cabrillo High School - SELPA	74,511	12/31/16
Lompoc High School	26,232	9/22/16
	$ 1,136,928	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Self-Insured Schools of California II and III (SISC II and SISC III), and the Santa Barbara County Schools Self-Insurance Program for Employees (SIPE) public entity risk pools joint powers authority (JPA). The County pays an annual premium to each entity for its property and liability, health benefits, and workers' compensation coverage, respectively. The relationships between the District, the pools, and the JPA 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 County are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2016, the District made payments of $525,831, $7,853,103, and $1,603,884, to SISC II, SISC III, and SIPE, respectively, for services received.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior-year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2016, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 11, Adult Education Fund, presented in the previous financial statements within the General Fund due to consolidation, is reported as a restatement to the beginning fund balance of the Non-Major Governmental Funds. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

General Fund	
Fund Balance - Beginning	$ 16,250,645
Change in accounting principles to conform to GASB Statement No. 54	(452,759)
Fund Balance - Beginning, as restated	$ 15,797,886
Non-Major Governmental Funds	
Fund Balance - Beginning	$ 3,800,726
Change in accounting principles to conform to GASB Statement No. 54	452,759
Fund Balance - Beginning, as restated	$ 4,253,485

REQUIRED SUPPLEMENTARY INFORMATION

LOMPOC UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 81,871,638	$ 82,116,297	$ 82,169,932	$ 53,635
Federal sources	6,245,173	7,054,073	6,379,386	(674,687)
Other State sources	10,302,764	12,303,379	15,375,849	3,072,470
Other local sources	1,164,583	2,533,631	2,693,203	159,572
Total Revenues [1]	99,584,158	104,007,380	106,618,370	2,610,990
EXPENDITURES				
Current				
Certificated salaries	44,098,482	44,986,893	44,819,177	167,716
Classified salaries	17,065,615	16,250,121	16,218,125	31,996
Employee benefits	17,373,207	17,570,377	20,528,387	(2,958,010)
Books and supplies	5,895,218	5,346,070	4,920,871	425,199
Services and operating expenditures	7,201,705	7,297,975	7,973,295	(675,320)
Other outgo	5,374,510	4,388,944	4,209,869	179,075
Capital outlay	118,767	955,307	2,286,366	(1,331,059)
Debt service - principal	41,703	41,703	20,290	21,413
Debt service - interest	3,131	2,081	798	1,283
Total Expenditures [1]	97,172,338	96,839,471	100,977,178	(4,137,707)
Excess (Deficiency) of Revenues Over Expenditures	2,411,820	7,167,909	5,641,192	(1,526,717)
Other Financing Uses				
Transfers out	(500,000)	(1,100,000)	(1,100,000)	-
NET CHANGE IN FUND BALANCES	1,911,820	6,067,909	4,541,192	(1,526,717)
Fund Balance - Beginning	15,797,886	15,797,886	15,797,886	-
Fund Balance - Ending	$ 17,709,706	$ 21,865,795	$ 20,339,078	$ (1,526,717)

[1] On behalf payments of $3,101,922 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and Expenditures pertaining to these funds is 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.

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

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, 2010	$ -	$ 2,331,030	$ 2,331,030	0%	$ 50,389,392	4.63%
July 1, 2012	-	2,539,067	2,539,067	0%	51,550,056	4.93%
July 1, 2014	-	3,295,041	3,295,041	0%	54,559,974	6.04%

See accompanying note to required supplementary information.

LOMPOC UNIFIED 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	0.0948%	0.0830%
District's proportionate share of the net pension liability	$ 63,849,154	$ 48,497,613
State's proportionate share of the net pension liability associated with the District	33,769,164	29,284,952
Total	$ 97,618,318	$ 77,782,565
District's covered - employee payroll	$ 40,718,829	$ 38,955,594
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	156.80%	124.49%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1273%	0.1310%
District's proportionate share of the net pension liability	$ 18,756,783	$ 14,874,020
District's covered - employee payroll	$ 13,803,101	$ 13,781,650
District's proportionate share of the net pension liability s a percentage of its covered - employee payroll	135.89%	107.93%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 4,677,937	$ 3,615,832
Contributions in relation to the contractually required contribution	4,677,937	3,615,832
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 43,596,803	$ 40,718,829
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 1,933,252	$ 1,624,763
Contributions in relation to the contractually required contribution	1,933,252	1,624,763
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 16,318,494	$ 13,803,101
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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.

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

LOMPOC UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	[1]	$ 1,293,654
Passed through California Department of Education (CDE):			
Workforce Innovation and Opportunity Act, Title II:			
Adult Education and Famiy Literacy			
Adult Education: Adult Basic Education and ESL	84.002A	14508	31,246
Adult Education: Adult Secondary Education	84.002	13978	5,180
Adult Education: English Literacy and Civics Education	84.002A	14109	18,821
Subtotal Adult Education			55,247
No Child Left Behind Act:			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,391,950
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330B	14831	8,569
Title II, Part A - Improving Teacher Quality	84.367	14341	448,766
Title III - Immigration Education Program	84.365	15146	6,715
Title III - Limited English Proficiency	84.365	14346	166,068
Subtotal No Child Left Behind			3,022,068
Carl D. Perkins Vocational and Technical Education Improvement Act of 2006			
Carl D. Perkins Vocational and Technical Education: Secondary, Section 131	84.048	14894	94,456
Passed through Santa Barbara SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,497,672
Preschool Grants, Part B, Sec 619	84.173	13430	57,648
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	140,585
Subtotal Special Education (IDEA) Cluster			1,695,905
Total - U.S. Department of Education			6,161,330
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medicaid Program Cluster			
Medi-Cal Administrative Activities (MAA)	93.778	10060	31,850
Medi-Cal Billing Option	93.778	10013	263,743
Total U.S. Department of Health and Human Services			295,593

[1] Direct funded program

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	$ 518,304
National School Lunch Program	10.555	13396	2,175,618
Commodities	10.555	13396	50,795
Seamless Summer Feeding Program, Operating	10.559	13004	45,058
Seamless Summer Feeding Program, Administration	10.559	13006	4,773
Meal Supplements	10.556	13392	45,378
Total U.S. Department of Agriculture			2,839,926
Total Federal Programs			$ 9,296,849

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

The Lompoc Unified School District was established on July 1, 1960. The District is currently operating nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program and an independent study program.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steve Straight	President	2018
Henry (Hank) Gallina	Vice President	2016
Bill Christen	Clerk	2016
Bill Heath	Member	2018
Carmela Kessler	Member	2016

ADMINISTRATION

Trevor McDonald	Superintendent
Irma Manzo	Interim Assistant Superintendent, Business Services
Margaret Christensen	Assistant Superintendent, Human Resources
Kathi L. Froemming	Assistant Superintendent, Education Services

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report E4F7C8C5	Annual Report 9FF26602
Regular ADA		
Transitional kindergarten through third	2,968.33	2,971.78
Fourth through sixth	2,078.64	2,079.84
Seventh and eighth	1,391.32	1,388.33
Ninth through twelfth	2,832.90	2,796.40
Total Regular ADA	9,271.19	9,236.35
Extended Year Special Education		
Transitional kindergarten through third	4.27	4.27
Fourth through sixth	2.64	2.64
Seventh and eighth	1.33	1.33
Ninth through twelfth	2.97	2.97
Total Extended Year Special Education	11.21	11.21
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.17	1.32
Community Day School		
Seventh and eighth	3.66	4.32
Ninth through twelfth	7.80	9.00
Total Community Day School	11.46	13.32
Total ADA	9,295.03	9,262.20

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	51,045	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,415	180	N/A	Complied
Grade 2		50,415	180	N/A	Complied
Grade 3		50,415	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,033	180	N/A	Complied
Grade 5		54,033	180	N/A	Complied
Grade 6		54,033	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,085	180	N/A	Complied
Grade 8		61,085	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,873	180	N/A	Complied
Grade 10		64,873	180	N/A	Complied
Grade 11		64,873	180	N/A	Complied
Grade 12		64,873	180	N/A	Complied

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

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

	General Fund	Special Reserve Fund for Capital Outlay Projects
FUND BALANCE		
Balance, June 30, 2016, Unaudited Actuals	$ 20,873,222	$ 622,375
Increase in:		
Accounts receivable	168,177	-
Accounts payable	-	(631,967)
Decrease in:		
Prepaid expenditure	(702,321)	-
Balance, June 30, 2016, Audited Financial Statements	$ 20,339,078	$ (9,592)

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND [4]				
Revenues	$ 103,120,613	$ 103,511,837	$ 88,732,673	$ 78,862,861
Other sources	281,465	-	200,000	100,000
Total Revenues	103,402,078	103,511,837	88,932,673	78,962,861
Expenditures	104,140,400	96,414,169	89,061,578	80,409,647
Other uses and transfers out	1,600,000	1,200,000	1,259,830	897,197
Total Expenditures and Other Uses	105,740,400	97,614,169	90,321,408	81,306,844
INCREASE (DECREASE) IN FUND BALANCE	$ (2,338,322)	$ 5,897,668	$ (1,388,735)	$ (2,343,983)
ENDING FUND BALANCE	$ 17,070,853	$ 19,409,175	$ 13,511,507	$ 14,900,242
AVAILABLE RESERVES [2]	$ 3,172,212	$ 3,075,532	$ 5,417,225	$ 8,731,853
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.00%	3.15%	6.05%	10.74%
LONG-TERM OBLIGATIONS	N/A	$ 33,776,094	$ 32,599,011	$ 33,171,754
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	9,295	9,295	9,239	9,039

The General Fund balance has increased by $4,508,933 over the past two years. The fiscal year 2016-2017 budget projects a decrease of $2,338,322 (12.0 percent). For a District this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by $604,340 over the past two years.

Average daily attendance has increased by 256 over the past two years. No change in 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 contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] On behalf payments of $1,946,793 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.

[4] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, Fund 14, and the Special Reserve Fund for Other Than Capital Outlay Projects, Fund 17, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016

Name of Charter School	Included in Audit Report
Manzanita Public Charter School (0973)	No

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 975,603	$ 788,110	$ 405,542
Receivables	93,671	858,904	594
Due from other funds	90	27,276	57,000
Prepaid expenses	-	8,379	-
Stores inventories	-	40,143	-
Total Assets	$ 1,069,364	$ 1,722,812	$ 463,136
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 14,072	$ 106,167	$ 163,851
Due to other funds	173,031	374,557	-
Unearned revenue	33,056	-	-
Total Liabilities	220,159	480,724	163,851
Fund Balances:			
Nonspendable	-	53,522	-
Restricted	333,845	1,027,324	299,285
Assigned	515,360	161,242	-
Total Fund Balances	849,205	1,242,088	299,285
Total Liabilities and Fund Balances	$ 1,069,364	$ 1,722,812	$ 463,136

See accompanying note to supplementary information.

Capital Facilities Fund	Total Non-Major Governmental Funds
$ 1,744,288	$ 3,913,543
2,741	955,910
-	84,366
-	8,379
-	40,143
$ 1,747,029	$ 5,002,341
$ 118,747	$ 402,837
154	547,742
-	33,056
118,901	983,635
-	53,522
1,628,128	3,288,582
-	676,602
1,628,128	4,018,706
$ 1,747,029	$ 5,002,341

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

	Adult Education Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	$ 55,247	$ 2,839,926	$ -
Other State sources	672,931	215,688	-
Other local sources	194,499	633,665	2,554
Total Revenues	922,677	3,689,279	2,554
EXPENDITURES			
Current			
Instruction	301,881	-	-
Instruction-related activities:			
School site administration	144,818	-	-
Pupil services:			
Food services	-	3,652,792	-
All other pupil services	50,323	-	-
Administration:			
All other administration	28,067	179,780	-
Plant services	1,142	55,452	17,525
Facility acquisition and construction	-	50,978	124,550
Total Expenditures	526,231	3,939,002	142,075
NET CHANGE IN FUND BALANCES	396,446	(249,723)	(139,521)
Fund Balance - Beginning, as restated	452,759	1,491,811	438,806
Fund Balance - Ending	$ 849,205	$ 1,242,088	$ 299,285

See accompanying note to supplementary information.

Capital Facilities Fund	Total Non-Major Governmental Funds
$ -	$ 2,895,173
-	888,619
128,370	959,088
128,370	4,742,880
-	301,881
-	144,818
-	3,652,792
-	50,323
14,196	222,043
41,774	115,893
314,381	489,909
370,351	4,977,659
(241,981)	(234,779)
1,870,109	4,253,485
$ 1,628,128	$ 4,018,706

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 9,274,559
Medi-Cal Billing Option	93.778	22,290
Total Schedule of Expenditures of Federal Awards		$ 9,296,849

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 1986-87 requirements, as required by *Education Code* Section 46201.

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 Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and whether or not the Charter School is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS

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
Lompoc Unified School District
Lompoc, 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 Lompoc Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lompoc Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 17 to the financial statements, in 2016, the District began receiving a dedicated revenue source for its Adult Education Fund. As a result, the Adult Education Fund meets the definition of a special revenue fund under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition* and is reported accordingly. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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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 Lompoc 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*.

We noted certain matters that we reported to management of Lompoc Unified School District in a separate letter dated December 15, 2016.

Purpose of This Report

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2016

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

Governing Board
Lompoc Unified School District
Lompoc, California

Report on Compliance for Each Major Federal Program

We have audited Lompoc Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lompoc Unified School District's major Federal programs for the year ended June 30, 2016. Lompoc 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 requirements of 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 Lompoc 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 Lompoc 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 Lompoc Unified School District's compliance.

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-003.Our opinion on each major Federal program is not modified with respect to these matters.

Lompoc Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lompoc Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-003 that we consider to be significant deficiencies.

Lompoc Unified School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs Lompoc Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lompoc Unified School District
Lompoc, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lompoc Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lompoc 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 Lompoc Unified School District's compliance with those requirements.

Basis for Qualified Opinion on the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Lompoc Unified School District did not comply with requirements regarding the After School Education and Safety Program as described in item 2016-04. Compliance with such requirements is necessary, in our opinion, for Lompoc Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lompoc Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Lompoc Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Lompoc 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	Yes
Continuation Education	Yes, 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	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below

	Procedures Performed
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 a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within 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 offer Middle or Early College High Schools; therefore, we did not perform any testing related to the program.

The District received funding for Educator Effectiveness in the current year, but did not have any related expenditures; therefore, we did not perform any testing related to the Educator Effectiveness 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 to this program.

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

The District's Charter School issues a separate report; therefore, we do not report on procedures for Charter School Programs here.

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOMPOC UNIFIED 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?	Yes
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?	Yes

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A - Basic Grants Low-Income and Neglected

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

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
After School Education & Safety Program

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

The following findings represent significant deficiencies in compliance that is required to be reported by the Uniform Guidance. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2016-001 Code 50000

Federal Program Affected

Title I, Part A - Basic Grants Low Income and Neglected
CFDA: 84.010
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.52(a), local education agencies (LEAs) identified for Program Improvement status shall, not later than three months after being identified, develop or revise a Local Educational Agency Plan (LEAP).

Condition

The California Department of Education (CDE) Audits and Investigations (A&I) Division conducted a Federal Program Monitoring (FPM) audit of Lompoc Unified School District for the 2015-16 fiscal year. Based on the audit conducted, the A&I Division disclosed that the District's LEAP expired during the 2014-15 fiscal year.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's review of correspondence from the California Department of Education, dated March 24, 2016, summarizing the result of the audit conducted by the A&I Division.

Effect

The District was not in compliance with Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.52(a).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.52(a).

Recommendation

As stated on the correspondence from the California Department of Education, the District must upload evidence to show that the LEAP has been updated and approved by the local governing board.

Corrective Action Plan

The 2016-2017 LEA Plan was approved by the Lompoc School Board on September 27, 2016. Each subsequent year, the School District will update the LEA Plan in accordance with the Code of Federal Regulations and have the plan approved by the School Board. FPM Resolved on September 29, 2016.

2016-002 Code 50000

Federal Program Affected

Title I, Part A - Basic Grant Low Income and Neglected
CFDA: 84.010
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.78(a)(1), an LEA must allocate funds to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the Elementary and Secondary Education Act (ESEA), in rank order on the basis of the total number of children from low-income families in each area or school.

Condition

The California Department of Education (CDE) Audits and Investigations (A&I) Division conducted a Federal Program Monitoring (FPM) audit of Lompoc Unified School District for the 2015-16 fiscal year. Based on the audit conducted, the A&I disclosed that the 2015-2016 budget allocations reported on the Consolidated Application Reporting System (CARS) did not agree to the budget allocations reported on the Single Plans for Student Achievement (SPSA) for Lompoc High School and Hapgood Elementary School.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's review of correspondence from the California Department of Education, dated March 24, 2016, summarizing the result of the audit conducted by the A&I Division.

Effect

The District was not in compliance with Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.78(a)(1).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.78(a)(1).

Recommendation

As stated on the correspondence from the California Department of Education, the District must upload evidence, such as school site council meeting minutes, updated 2016-17 SPSAs for Hapgood Elementary and Lompoc High Schools that includes all required elements and all aactivities being funded by Title I, Part A at the school that matches the schools' annual allocation, a draft CARS spreadsheet (i.e. 2015-16 Title I, Part A CARS Winter Con Ap) for 2016-17, and a 2016-17 budget for the schools, with the provision that all documents for both schools must match.

Corrective Action Plan

Schools will receive notification in the spring of the due date for their Single Plans for Student Achievement. Clear directions have been put into place for completion of the plan, including attachments. Training meetings occurred in the 2016-2017 school year and will continue into the following years. FPM Resolved on October 13, 2016.

2016-003 Code 50000

Federal Program Affected

Title I, Part A - Basic Grants Low Income and Neglected
CFDA: 84.010
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(8)(ii), charges to Federal awards for salaries and wages must be incorporated into the official records of the Local Educational Agency (LEA).

Condition

The California Department of Education (CDE) Audits and Investigations (A&I) Division conducted a Federal Program Monitoring (FPM) audit of Lompoc Unified School District for the fiscal year 2015-2016. Based on the audit conducted, Lompoc Unified School District did not have its own written policies and procedures for documenting time and effort of employees charged to the federal program.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's review of correspondence from the California Department of Education, dated March 24, 2016, summarizing the result of the audit conducted by the A&I Division.

Effect

The District has not complied with the requirements identified in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(8)(ii).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(8)(ii).

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(8)(ii) and implement a procedure to address the control deficiency currently identified with the District's time accounting documentation as it relates to employees working on multiple activities or cost objectives.

Corrective Action Plan

The District has changed the time accounting documents to align with the requirements stated in Title 2, Code of Federal Regulations. A system of ensuring time accounting is being turned in has been put into place.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2016-004 Code 40000 – After School Education and Safety Program

Criteria or Specific Requirements

According to the California *Education Code* Section 8482.4(c), a district that receives state funding for an after school program must report attendance to the California Department of Education (CDE) semiannually. Such reporting must be supported by attendance records documenting student participation.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign in/sign out sheets to track attendance. The auditor selected Fillmore Elementary School for testing and recomputed the attendance for the month of October 2015 and for the first half of 2015-16. Fillmore Elementary School reported 6,273 students for the first half of 2015-16; however, the auditor's count noted 6,384 students attended during that reporting period. Additionally, it appears that the District transposed the attendance for student served for Fillmore Elementary School with that of La Honda STEAM Academy on the 2015-16 1st Half: After School Base report.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be understated by 111 at Fillmore Elementary School during the first half of 2015-16.

Context

The condition identified resulted from our review of Fillmore Elementary School's attendance records and monthly attendance summary totals for the month of October 2015 and the first half reporting period of 2015-16. The auditor reconciled monthly summaries to the first semi-annual reporting period dated July to December 2015.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8482.4 (c) for the 2015-16 fiscal year since the number of students served as reported to the CDE was understated when compared to the supporting records.

Cause

It appears that the condition identified has materialized due to staff error in the preparation of the 2015-16 – 1st Half: After School Base report submitted to the CDE.

Recommendation

The District should review procedures used to compile the number of students served in the After School Education and Safety Program and the information reported to the CDE. Procedures for attendance compilation should include an independent review of the sign in/sign out sheets, monthly summaries, and the semi-annual reports prior to submission to the CDE.

Corrective Action Plan

The District has reviewed procedures used to compile attendance. A system for review of sign in and sign out sheets, summaries and reports sent to CDE.

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2015-001 40000

Criteria or Specific Requirements

According to *Education Code* Section 8483(a) (2), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. In addition, adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign out sheets for students in order to track attendance. The auditor tested the only school site operating the program (La Honda Elementary School) and recomputed the attendance as indicated on the sign out sheets to determine if total attendance for the month of November 2014 agrees with the amount reported on the semi-annual report. The auditor counted each student on the sign out sheet that was signed out at/after 6:00 pm and each student who left early and had a documented reason for their early release on file. Per the auditor's count, La Honda Elementary School was reported to have 1,098 students for the month of November 2014, but the auditor's count per criteria described above resulted in 877 students, resulting in 221 differences. Variances were a result of parents not signing their children out, lack of documenting the reason for early release, lack of sign out time documented, and human error.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be overstated by 221 at La Honda Elementary School for the month of November 2014.

Context

The condition identified was determined through a review of attendance records from the La Honda Elementary School in the District that operates the after school program. Manual sign in rosters were reviewed for each child's sign out time in order to determine daily participation. The auditor selected the month of November 2014 for the first semiannual reporting period. The auditor then compared the manual rosters to the summaries used to report the number of students served and noted a difference of 221 for La Honda Elementary School.

Effect

There is not sufficient documentation to support the number of student served reported to the California Department of Education. It appears the District overstated the number of student served by 221 for La Honda Elementary School for the first semiannual period.

Cause

It appears that the condition identified has materialized as a result of the District not following up to ensure the total number of students that participated, as indicated by the manual rosters, agreed to the monthly summaries and the attendance reports that were submitted to the California Department of Education agreed to the District summaries.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education. In addition, the total number of students served in the manual rosters should reconcile to the total number of students reported on the attendance report.

Current Status

Partially implemented, see current-year finding 2016-004.

2015-002 40000

Criteria or Specific Requirements

According to California *Education Code* Section 2575(k) or 42238.03(a)(7), for funds received by the District for the purpose of administering the Adult Education Program during the 2014-2015 fiscal year, the District must expend no less than the amount of funds expended, or the amount of revenue received, if that is less, for the purpose of this program in the 2012-2013 fiscal year.

Condition

The District is deficient in meeting the maintenance of effort requirement for its Adult Education Program. Specifically, the District was deficient by $5,062 for the Adult Education Program.

Questioned Costs

There were no questioned costs associated with the condition identified. However, the District was deficient in meeting its Adult Education Program maintenance of effort by $5,062.

Context

The District records its activities related to its Adult Education Program using Resource 0639 in Fund 11. In reviewing the activities posted in Resource Code 0639 in Fund 11, the District expended a total of $512,135. The total amount expended by the District did not meet the required level of maintenance of effort which was identified as $517,197 for the Adult Education Program.

Effect

As a result of our testing, the District does not appear to be in compliance with California *Education Code* Section 42238.03(a)(7).

Cause

It appears the condition identified has materialized directly as a result of a reduction in the operation of the program due to low participation.

Recommendation

While the maintenance of effort requirement related to the Adult Education Program will no longer exist in the subsequent fiscal year, the District should be cognizant of the general guidelines pertaining to the maintenance of effort requirement. The District should ensure its budgeting process incorporates maintenance of effort requirements into account for other programs, especially when there may be a direct fiscal penalty imposed on the District for failing to meet the maintenance of effort requirements.

Current Status

Implemented

Governing Board
Lompoc Unified School District
Lompoc, California

In planning and performing our audit of the financial statements of Lompoc Unified School 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 15, 2016 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY ACCOUNTS (ASB)

Lompoc High School

Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts, we noted various trust accounts as well as the general ASB account ended the year with an aggregate negative balance of $55,724. Since the student body accounts represent individual portions of the cash and asset pool, by allowing some accounts a negative balance, these accounts have spent the available funds of other accounts. In addition, ASB advisors and clubs are not being provided with account balances on a monthly basis to ensure the balance reported on the financial statements for their club is accurate. We also noted a trust account named Prior Year Debt with a balance of $23,457. The ASB is not aware of what makes up this account, and this account has been rolling forward year to year.

Recommendation

The ASB has a responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account. In addition, to ensure the accuracy of reporting for each club's activities, a monthly statement should be provided to all student groups for review. The ASB should review the Prior Year Debt account and figure out what makes up the account balance so they can determine proper treatment of the account instead of carrying it forward each year.

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Revenue Potential Forms

Observation

During testing of revenue potential forms, we noted that the fundraiser selected for testing did not have a complete revenue potential form. An explanation for the difference between estimated and actual profit was not documented on the revenue potential form.

Recommendation

Each fundraising activity should have a completed revenue potential form in order to assess the fundraiser's effectiveness and financial activities. The form also serves an internal control function to document actual revenue and expenditure amounts. Fundraiser revenue potential forms should be completed to address internal controls over fundraising activities and properly record fundraiser revenue and expenditures.

Student Store

Observation

During the testing of student store activities, we noted that the physical inventory count is not being reconciled to the system inventory.

Recommendation

Reconciliation to the system's perpetual inventory should be done each time there is a physical inventory count in order to ensure all merchandise has been properly accounted for.

Vandenberg Middle School & Lompoc Valley Middle School

Administration Bank Accounts

Observation

In reviewing Vandenberg and Lompoc Valley Middle School's bank accounts, we noted that in addition to the ASB account, there was also an administration bank account at each site. The auditor noted that there was ASB activity combined with District cash collections in these accounts. The purpose for these accounts remains unclear.

Recommendation

Since the purpose of the administration bank accounts is unclear, we suggest that the District close these accounts and include ASB activity in the ASB account and District activity in the usual cash collections process. This will reduce the risk of spending ASB funds for non-ASB related activities.

Vandenberg Middle School

Disbursements

Observation

Seven of thirteen disbursements tested were not preapproved by the ASB. The invoice date on these disbursements was prior to the ASB expense approval date indicating that the order was placed prior to approval.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are preapproved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Revenue Potential Form

Observation

During testing of revenue potentials, we noted that the fundraiser selected for testing did not have a complete revenue potential form. The actual revenues and expenses associated with the fundraiser, and an explanation for the difference between the estimated and actual profit were not documented on the revenue potential form.

Recommendation

Each fundraising activity should have a completed revenue potential form in order to assess the fundraiser's effectiveness and financial activities. The form also serves an internal control function to document actual revenue and expenditure amounts. Revenue potential forms should be completed to address internal controls over fundraising activities and properly record fundraiser revenue and expenditures.

Ticket Sales

Observation

A master ticket log is not being used by the site to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash. Stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued for sales, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Governing Board
Lompoc Unified School District

Student Store

Observation

Based on our review of the ASB student store activities, we noted that a daily sales form was not used for student store sales activities and perpetual inventory was not maintained. As a result, there was no way to reconcile sales revenue to the inventory sold.

Recommendation

Sales reconciliations should be performed regularly to ensure that the cash generated from sale of inventory is consistent with the physical inventory sold. In practice, beginning inventory of goods should be taken prior to sales activities and ending inventory of goods should be taken at the conclusion of the sales event. The difference between beginning and ending inventory should be determined and expected sales revenue should be calculated using the unit price of goods being sold. Lastly, actual sales should be compared with the calculated expected sales. Differences identified should be further examined, as needed.

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

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2016