LOMPOC UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LOMPOC UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on pages 64, schedule of other postemployment benefits funding progress on page 65, schedule of the District's proportionate share of net pension liability on page 66, and the schedule of District contributions on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lompoc Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lompoc Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 15, 2017

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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, 2017 with comparative information for the year ended June 30, 2016. 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 2016-2017 school year, the District's General Fund balance was $22,047,931.
- Total General Fund revenues and other sources for 2016-2017 were $110,624,941.
- Total General Fund expenditures and other uses for 2016-2017 were $108,916,088
- The cost of instructional-related activities and pupil services in the General Fund were $82,055,253.
- The funded Average Daily Attendance (ADA) for the District in 2016-2017 was 9,152.85 which was higher than originally budgeted.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $3,793,602 for the fiscal year ended June 30, 2017. Of this amount, $(63,919,071) 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	
	2017	2016
Assets		
Current and other assets	$ 36,733,631	$ 34,460,246
Capital assets	83,706,128	85,531,067
Total Assets	**120,439,759**	**119,991,313**
Deferred Outflows of Resources	**26,540,376**	**24,176,398**
Liabilities		
Current liabilities	8,206,373	6,891,739
Long-term obligations	30,437,745	33,776,094
Aggregate net pension liability	95,996,894	82,605,937
Total Liabilities	**134,641,012**	**123,273,770**
Deferred Inflows of Resources	**8,545,521**	**16,605,366**
Net Position		
Net investment in capital assets	59,678,403	59,089,383
Restricted	8,034,270	8,565,666
Unrestricted	(63,919,071)	(63,366,474)
Total Net Position	**$ 3,793,602**	**$ 4,288,575**

The $(63,919,071) in unrestricted net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position increased by 0.9 percent $(63,919,071) compared to $(63,366,474).

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 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services	$ 736,791	$ 899,763
Operating grants and contributions	15,241,842	15,206,824
General revenues:		
Federal and State aid not restricted	69,038,039	70,567,550
Property taxes	27,306,584	23,864,922
Other general revenues	11,751,612	8,529,232
Total Revenues	**124,074,868**	**119,068,291**
Expenses		
Instruction-related	82,347,195	79,710,686
Pupil services	13,095,150	11,800,441
Administration	7,628,038	6,959,618
Plant services	12,408,576	11,514,344
Other	9,090,882	8,107,674
Total Expenses	**124,569,841**	**118,092,763**
Change in Net Position	**$ (494,973)**	**$ 975,528**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $124,569,841. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $27,306,584, because the cost was paid by those who benefited from the programs $736,791 or by other governments and organizations who subsidized certain programs with grants and contributions $15,241,842. We paid for the remaining "public benefit" portion of our governmental activities with $80,789,651 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	
	2017	2016
Instruction	$ 63,374,776	$ 62,828,614
Instruction-related activities	10,652,404	7,350,070
Pupil services	8,028,073	7,255,864
Administration	7,204,639	6,352,719
Plant services	11,745,257	11,455,612
All other	7,586,059	6,743,297
Total	**$ 108,591,208**	**$ 101,986,176**

The increase in total cost of services was primarily due to 2 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 $28,816,187, which is an increase of $911,714 from last year. (Table 4)

Table 4

	Balances and Activity			
	July 01, 2016	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2017
General Fund	$ 20,339,078	$ 110,624,941	$ 108,916,088	$ 22,047,931
Bond Interest and Redemption Fund	3,556,281	3,845,041	3,611,019	3,790,303
Adult Education Fund	849,205	434,700	1,023,661	260,244
Cafeteria Fund	1,242,088	4,146,623	4,266,322	1,122,389
Building Fund	299,285	683	289,873	10,095
Capital Facilities Fund	1,628,128	64,222	405,264	1,287,086
Special Reserve Fund for Capital Outlay Projects	(9,592)	1,143,147	835,416	298,139
Total	**$ 27,904,473**	**$ 120,259,357**	**$ 119,347,643**	**$ 28,816,187**

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 $20.3 million to $22 million primarily due to additional State Aid funding under the LCFF revenue in 2016-2017.

b. The Adult Education Fund increased fund balance due to additional funding related to AB104.

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 2016-2017.

e. The Building Fund (Measure N) funds decreased due to Asphalt summer projects.

f. The Capital Facilities Fund decreased funds were used for additional Classroom Portable projects.

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 4, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $83,706,128 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 $1,824,939, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	$ 11,001,472	$ 11,743,327
Land improvements	10,253,707	8,361,000
Buildings and improvements	58,026,376	61,387,031
Furniture and equipment	4,424,573	4,039,709
Total	**$ 83,706,128**	**$ 85,531,067**

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 $30,437,745 in long-term obligations versus $33,776,094 last year. The obligations consisted of the following:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	$ 26,673,792	$ 29,185,292
Retirement incentives	2,244,343	3,180,890
Other postemployment benefits (OPEB)	865,915	701,256
Accumulated vacation - net	653,695	708,656
Total	**$ 30,437,745**	**$ 33,776,094**

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 2.5 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 $95,996,894, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 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 2017-2018 year, the governing board and management used the following criteria:

Revenues:

- The Local Control Funding Formula (LCFF) calculations including a 1.56 percent COLA plus a GAP funding rate of 43.97 percent increase revenue, and the District projected decreased enrollment.
- Federal revenues will maintain with the 2013-2014 funding levels.
- Other State revenues will decreased due to one-time funding.
- Other Local revenues will decrease due to revenue not being budgeted until received.

Expenditures:

- Certificated staffing will increase due to salary increase of 2 percent and 1 percent one-time bonus.
- Classified staffing will increase due to salary increases of 2 percent and 1 percent one-time bonus
- 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 Dr. John Karbula, 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 karbula.john@lusd.org.

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

		Governmental Activities
ASSETS		
Deposits and investments	$	28,961,278
Receivables		7,573,051
Prepaid expenses		73,125
Stores inventories		126,177
Capital Assets		
Land and construction in process		11,001,472
Other capital assets		152,759,134
Less: Accumulated depreciation		(80,054,478)
Total Capital Assets		83,706,128
Total Assets		120,439,759
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		920,670
Deferred outflows of resources related to pensions		25,619,706
Total Deferred Outflows of Resources		26,540,376
LIABILITIES		
Accounts payable		6,693,084
Accrued interest payable		288,929
Unearned revenue		1,224,360
Long-term obligations:		
Current portion of long-term obligations other than pensions		3,674,287
Noncurrent portion of long-term obligations other than pensions		26,763,458
Total Long-Term Obligations		30,437,745
Aggregate net pension liability		95,996,894
Total Liabilities		134,641,012
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		8,545,521
NET POSITION		
Net investment in capital assets		59,678,403
Restricted for:		
Debt service		3,501,374
Capital projects		1,287,086
Educational programs		2,180,082
Other activities		1,065,728
Unrestricted		(63,919,071)
Total Net Position	$	3,793,602

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

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	$ 70,562,351	$ 4,124	$ 7,183,451	$ (63,374,776)
Instruction-related activities:				
Supervision of instruction	3,032,235	-	713,651	(2,318,584)
Instructional library, media, and technology	1,648,084	-	9,516	(1,638,568)
School site administration	7,104,525	211	409,062	(6,695,252)
Pupil services:				
Home-to-school transportation	2,254,452	-	220,964	(2,033,488)
Food services	3,985,936	687,961	2,935,553	(362,422)
All other pupil services	6,854,762	128	1,222,471	(5,632,163)
Administration:				
Data processing	1,947,285	-	-	(1,947,285)
All other administration	5,680,753	32,520	390,879	(5,257,354)
Plant services	12,408,576	11,847	651,472	(11,745,257)
Ancillary services	1,622,471	-	481	(1,621,990)
Interest on long-term obligations	1,120,242	-	-	(1,120,242)
Other outgo	6,348,169	-	1,504,342	(4,843,827)
Total Governmental Activities	$ 124,569,841	$ 736,791	$ 15,241,842	(108,591,208)
General revenues and subventions:				
Property taxes, levied for general purposes				23,343,887
Property taxes, levied for debt service				3,829,939
Taxes levied for other specific purposes				132,758
Federal and State aid not restricted to specific purposes				69,038,039
Interest and investment earnings				209,938
Interagency revenues				582,230
Miscellaneous				10,959,444
Subtotal, General Revenues				108,096,235
Change in Net Position				(494,973)
Net Position - Beginning				4,288,575
Net Position - Ending				$ 3,793,602

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 22,178,983	$ 3,783,191	$ 2,999,104	$ 28,961,278
Receivables	6,818,606	7,112	747,333	7,573,051
Due from other funds	599,343	-	56,044	655,387
Prepaid expenditures	73,125	-	-	73,125
Stores inventories	78,507	-	47,670	126,177
Total Assets	$ 29,748,564	$ 3,790,303	$ 3,850,151	$ 37,389,018
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 6,420,229	$ -	$ 272,855	$ 6,693,084
Due to other funds	56,044	-	599,343	655,387
Unearned revenue	1,224,360	-	-	1,224,360
Total Liabilities	7,700,633	-	872,198	8,572,831
Fund Balances:				
Nonspendable	156,632	-	52,670	209,302
Restricted	2,180,082	3,790,303	2,362,909	8,333,294
Assigned	15,995,685	-	562,374	16,558,059
Unassigned	3,715,532	-	-	3,715,532
Total Fund Balances	22,047,931	3,790,303	2,977,953	28,816,187
Total Liabilities and Fund Balances	$ 29,748,564	$ 3,790,303	$ 3,850,151	$ 37,389,018

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 JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 28,816,187**
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	$ 163,760,606	
Accumulated depreciation is	(80,054,478)	
Net Capital Assets		83,706,128
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds.		
Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to the measurement date	7,781,742	
Net change in proportionate share of net pension liability	7,042,523	
Difference between projected and actual earnings on pension plan investments	9,648,885	
Differences between expected and actual experience in the measurement of the total pension liability	1,146,556	
Total Deferred Outflows of Resources Related to Pensions		25,619,706
Deferred inflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds.		
Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(6,053,163)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,691,439)	
Changes in assumptions	(800,919)	
Total Deferred Inflows of Resources Related to Pensions		(8,545,521)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(95,996,894)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt), which are capitalized and amortized over the remaining life of the new or old debt (whichever is greater), are included in the government-wide statements.		920,670
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.		(288,929)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2017

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	$ (23,125,971)	
Unamortized premium	(1,832,519)	
Early retirement incentives	(137,128)	
Supplemental Early Retirement Plan	(2,107,215)	
Other postemployment benefits (OPEB)	(865,915)	
Compensated absences (vacations)	(653,695)	
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:	(1,715,302)	
Total Long-Term Obligations		$ (30,437,745)
Total Net Position - Governmental Activities		**$ 3,793,602**

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, 2017

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 87,126,578	$ -	$ -	$ 87,126,578
Federal sources	6,477,750	-	3,246,255	9,724,005
Other State sources	12,738,431	37,638	579,182	13,355,251
Other local sources	4,282,182	3,807,403	863,938	8,953,523
Total Revenues	110,624,941	3,845,041	4,689,375	119,159,357
EXPENDITURES				
Current				
Instruction	62,614,288	-	288,256	62,902,544
Instruction-related activities:				
Supervision of instruction	2,862,558	-	-	2,862,558
Instructional library, media, and technology	1,661,366	-	-	1,661,366
School site administration	6,433,633	-	215,714	6,649,347
Pupil services:				
Home-to-school transportation	2,637,427	-	-	2,637,427
Food services	-	-	3,933,939	3,933,939
All other pupil services	6,195,587	-	49,960	6,245,547
Administration:				
Data processing	2,052,090	-	-	2,052,090
All other administration	5,385,408	-	204,098	5,589,506
Plant services	10,469,908	-	280,942	10,750,850
Facility acquisition and construction	1,103,730	-	1,447,627	2,551,357
Ancillary services	1,549,924	-	-	1,549,924
Other outgo	5,248,169	-	-	5,248,169
Debt service				
Principal	-	2,540,000	-	2,540,000
Interest and other	2,000	1,071,019	-	1,073,019
Total Expenditures	108,216,088	3,611,019	6,420,536	118,247,643
Excess (Deficiency) of Revenues Over Expenditures	2,408,853	234,022	(1,731,161)	911,714
Other Financing Sources (Uses)				
Transfers in	-	-	1,100,000	1,100,000
Transfers out	(700,000)	-	(400,000)	(1,100,000)
Net Financing Sources (Uses)	(700,000)	-	700,000	-
NET CHANGE IN FUND BALANCES	1,708,853	234,022	(1,031,161)	911,714
Fund Balance - Beginning	20,339,078	3,556,281	4,009,114	27,904,473
Fund Balance - Ending	$ 22,047,931	$ 3,790,303	$ 2,977,953	$ 28,816,187

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

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, 2017

Total Net Change in Fund Balances - Governmental Funds			**$**	**911,714**
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	$	(5,430,513)		
Capital outlays		3,605,574		
Net Expense Adjustment				(1,824,939)
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.				(164,659)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, 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 paid were $234,142. Vacation earned was less than the amounts used by $54,961.				289,103
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.				(2,901,374)
The District offered a supplemental early retirement program in a prior year. During the current year the District made one payment toward the commitment in the amount of $702,405.				702,405
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. The amount paid on the general obligation bonds:				2,540,000

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2017

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment includes amortization of debt premium and deferred charges on refunding.				
Amortization of debt premium	$	228,909		
Amortization of deferred chaarge on refunding		(65,760)		
Combined Adjustment			$	163,149
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 $47,037, and second, $257,409 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.				(210,372)
Change in Net Position of Governmental Activities			**$**	**(494,973)**

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

LOMPOC UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

		Agency Funds
ASSETS		
Deposits and investments	$	636,664
Receivables		4,819
Stores inventories		2,375
Total Assets	$	643,858
LIABILITIES		
Accounts payable	$	2,342
Due to student groups		641,516
Total Liabilities	$	643,858

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

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 other financing sources and expenditures and other financing uses of $699,126, $3,167,579 and $3,398,356, respectively.

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).

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).

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 excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities.* Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. 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, 2017, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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 $8,034,270 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 June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

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

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

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

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

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 28,961,278
Fiduciary funds	636,664
Total Deposits and Investments	$ 29,597,942

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

Cash on hand and in banks	$ 617,382
Cash in revolving	10,000
Investments	28,970,560
Total Deposits and Investments	$ 29,597,942

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 $28,970,560 with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 405 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, 2017, $27,795 of the District's bank balance of $630,542 was not exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if 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, 2017:

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	$ 28,970,560	$ 28,970,560

NOTE 4 - RECEIVABLES

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

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	$ 2,464,748	$ -	$ 487,389	$ 2,952,137	$ -
State Government					
Categorical aid	2,882,384	-	154,990	3,037,374	-
Lottery	816,635	-	-	816,635	-
Special education	74,053	-	-	74,053	-
Local Government	141,605			141,605	
Interest	61,245	7,112	45,297	113,654	-
Other local sources	377,936	-	59,657	437,593	4,819
Total	$ 6,818,606	$ 7,112	$ 747,333	$ 7,573,051	$ 4,819

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 9,336,000	$ -	$ -	$ 9,336,000
Construction in process	2,407,327	2,104,031	2,845,886	1,665,472
Total Capital Assets Not Being Depreciated	11,743,327	2,104,031	2,845,886	11,001,472
Capital Assets Being Depreciated				
Land improvements	14,544,904	2,590,396	-	17,135,300
Buildings and improvements	120,347,477	665,680	-	121,013,157
Furniture and equipment	13,519,324	1,091,353	-	14,610,677
Total Capital Assets Being Depreciated	148,411,705	4,347,429	-	152,759,134
Less Accumulated Depreciation				
Land improvements	6,183,904	697,689	-	6,881,593
Buildings and improvements	58,960,446	4,026,335	-	62,986,781
Furniture and equipment	9,479,615	706,489	-	10,186,104
Total Accumulated Depreciation	74,623,965	5,430,513	-	80,054,478
Governmental Activities Capital Assets, Net	$ 85,531,067	$ 1,020,947	$ 2,845,886	$ 83,706,128

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,421,717
Home-to-school transportation	48,897
All other pupil services	263,118
Plant services	1,696,781
Total Depreciation Expenses Governmental Activities	$ 5,430,513

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, 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	$ -	$ 599,343	$ 599,343
Non-Major Governmental Funds	56,044	-	56,044
Total	$ 56,044	$ 599,343	$ 655,387

A balance of $424,455 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from the reimbursement of payroll expenditures and indirect cost charges.

A balance of $174,888 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from the reimbursement of payroll expenditures and indirect cost charges.

The balance of $56,044 due to the Adult Education Non-Major Governmental Fund from the General Fund resulted from payroll and related costs.

Operating Transfers

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

The General Fund tranferred $700,000 to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to reimburse for projects accounted for in that fund.

The Adult Education Non-Major Governmental Fund tranferred $400,000 to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to repay a loan made in a prior year.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 3,111,298	$ 58,009	$ 3,169,307	$ -
LCFF apportionment	201,954	-	201,954	-
Supplies and materials	334,331	3,171	337,502	-
Services	991,379	85,977	1,077,356	-
Capital outlay	605,634	39,335	644,969	-
Other local governments	10,334	-	10,334	-
Other vendor payables	1,165,299	86,363	1,251,662	2,342
Total	$ 6,420,229	$ 272,855	$ 6,693,084	$ 2,342

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	$ 270,727
State categorical aid	870,998
Other local	82,635
Total	$ 1,224,360

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds payable	$ 27,123,864	$ 257,409	$ 2,540,000	$ 24,841,273	$ 2,885,000
Premium on issuance	2,061,428	-	228,909	1,832,519	-
Early retirement incentives	371,270	-	234,142	137,128	86,882
Supplemental Early Retirement Plan	2,809,620	-	702,405	2,107,215	702,405
Other postemployment benefits (OPEB)	701,256	314,827	150,168	865,915	-
Accumulated vacation - net	708,656	-	54,961	653,695	-
	$ 33,776,094	$ 572,236	$ 3,910,585	$ 30,437,745	$ 3,674,287

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the early retirement incentive and the Supplemental Early Retirement Plan 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.

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	3.50-5.00%	$ 11,500,000	$ 315,000	$ -	$ -	$ 315,000	$ -
5/1/2008	8/1/2022	3.50-5.25%	21,605,971	17,093,864	-	257,409	2,205,000	15,146,273
4/15/2015	6/1/2032	2.00-5.00%	9,920,000	9,715,000	-	-	20,000	9,695,000
				$ 27,123,864	$ -	$ 257,409	$ 2,540,000	$ 24,841,273

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, 2017, with interest rates 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, 2017, the principal balance had been fully retired.

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 rates 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, 2017, the principal balance outstanding was $15,146,273.

2015 General Obligation Refunding Bonds

In April 2015, the District issued the $9,920,000 2015 General Obligation Refunding Bonds. The 2015 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 rates 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, 2017, the principal balance outstanding was $9,695,000.

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
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	3,260,883	11,191,167	320,181	14,772,231
2023-2027	3,495,390	209,610	1,159,156	4,864,156
2028-2032	4,435,000	-	433,888	4,868,888
Total	$ 24,841,273	$ 11,400,777	$ 4,697,795	$ 40,939,845

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 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 $31,048.

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, nine retirees meet those eligibility requirements. The outstanding contract amount for this purpose is $106,080.

At June 30, 2017, future minimum payments on early retirement incentive were as follows:

Fiscal Year	Balance June 30, 2017
2018	$ 86,882
2019	50,246
Total	$ 137,128

Supplemental Early Retirement Incentives

Classified Employees:

During 2016-2017 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 were eligible to participate in this supplemental early retirement incentive program. Qualifying employees receive a payment each year for medical insurance benefits. 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, 2017, future minimum payments on supplemental early retirement incentives were as follows:

Fiscal Year	Balance June 30, 2017
2018	$ 702,405
2019	702,405
2020	702,405
Total	$ 2,107,215

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $327,331, and contributions made by the District during the year were $150,168. Interest on the net OPEB obligation and adjustments to the annual required contribution were $28,050 and $(40,554), respectively, which resulted in an increase to the net OPEB obligation of $164,659. As of June 30, 2017, the net OPEB obligation was $865,915. 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, 2017, amounted to $653,695.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 5,000	$ -	$ 5,000	$ 10,000
Stores inventories	78,507	-	47,670	126,177
Prepaid expenditures	73,125	-	-	73,125
Total Nonspendable	156,632	-	52,670	209,302
Restricted				
Legally restricted programs	2,180,082	-	1,065,728	3,245,810
Capital projects	-	-	1,297,181	1,297,181
Debt services	-	3,790,303	-	3,790,303
Total Restricted	2,180,082	3,790,303	2,362,909	8,333,294
Assigned				
Textbook adoption	5,910,355	-	-	5,910,355
Future capital projects	5,151,960	-	-	5,151,960
LCFF supplemental/concentration	1,574,503	-	-	1,574,503
Multi-year projection deficit	1,459,740	-	-	1,459,740
Deferred maintenance	1,197,952	-	-	1,197,952
Technology infrastructure	500,000	-	-	500,000
Seismic design/architect	200,000	-	-	200,000
Other post employment benefits	1,175			1,175
Adult education programs	-	-	152,505	152,505
Kitchen upgrades	-	-	111,730	111,730
Capital outlay projects	-	-	298,139	298,139
Total Assigned	15,995,685	-	562,374	16,558,059
Unassigned				
Reserve for economic uncertainties	3,165,532	-	-	3,165,532
Remaining unassigned	550,000	-	-	550,000
Total Unassigned	3,715,532	-	-	3,715,532
Total	$ 22,047,931	$ 3,790,303	$ 2,977,953	$ 28,816,187

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	$ 107,942,639	$ 108,916,088	$ 973,449

* Includes on behalf payments of $3,844,216. 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.

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 School Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $150,168 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	28,050
Adjustment to annual required contribution	(40,554)
Annual OPEB cost (expense)	314,827
Contributions made	(150,168)
Increase in net OPEB obligation	164,659
Net OPEB obligation, beginning of year	701,256
Net OPEB obligation, end of year	$ 865,915

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
2015	$ 320,588	$ 154,569	48.21%	$ 544,196
2016	317,628	160,568	50.55%	701,256
2017	314,827	150,168	47.70%	865,915

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%	$60,571,691	5.44%

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, 2017, 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, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 69,338,738	$ 17,140,438	$ 7,464,415	$ 7,080,442
CalPERS	26,658,156	8,479,268	1,081,106	3,602,674
Total	$ 95,996,894	$ 25,619,706	$ 8,545,521	$ 10,683,116

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $5,465,138.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 69,338,738
State's proportionate share of the net pension liability associated with the District	39,473,307
Total	$ 108,812,045

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0857 percent and 0.0948 percent, resulting in a net decrease in the proportionate share of 0.0091 percent.

For the year ended June 30, 2017, the District recognized pension expense of $7,080,442. In addition, the District recognized pension expense and revenue of $3,844,216 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,465,138	$ -
Net change in proportionate share of net pension liability	6,162,904	5,772,976
Difference between projected and actual earnings on pension plan investments	5,512,396	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,691,439
Total	$ 17,140,438	$ 7,464,415

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 120,262
2019	120,263
2020	3,204,375
2021	2,067,496
Total	$ 5,512,396

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (38,279)
2019	(38,279)
2020	(38,279)
2021	(38,279)
2022	(38,282)
Thereafter	(1,110,113)
Total	$ (1,301,511)

Actuarial Methods and Assumptions

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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%)	$ 99,794,082
Current discount rate (7.60%)	69,338,738
1% increase (8.60%)	44,044,300

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2017, are presented above and the total District contributions were $2,316,604.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $26,658,156. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.1350 percent and 0.1273 percent, resulting in a net increase in the proportionate share of 0.0077 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,602,674. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,316,604	$ -
Net change in proportionate share of net pension liability	879,619	280,187
Difference between projected and actual earnings on pension plan investments	4,136,489	-
Differences between expected and actual experience in the measurement of the total pension liability	1,146,556	-
Changes of assumptions	-	800,919
Total	$ 8,479,268	$ 1,081,106

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 580,197
2019	580,198
2020	1,896,506
2021	1,079,588
Total	$ 4,136,489

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 264,883
2019	282,574
2020	397,612
Total	$ 945,069

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 39,774,118
Current discount rate (7.65%)	26,658,156
1% increase (8.65%)	15,736,537

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 2016-2017 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, 2017, 2016, and 2015, were $40,032, $31,116, and $23,242, 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 $3,844,216 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been 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, 2017.

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, 2017.

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, 2017 were $100,582.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	$ 99,154
2019	98,440
2020	98,440
2021	30,691
Total	$ 326,725

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
HVAC Project	$ 44,391	8/31/17
Engineering, Proposition 39 projects	10,145	8/15/17
	$ 54,536	

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, 2017, the District made payments of $560,573, $8,574,180, and $1,027,636, to SISC II, SISC III, and SIPE, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

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LOMPOC UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 86,841,735	$ 86,989,327	$ 87,126,578	$ 137,251
Federal sources	6,570,982	7,205,017	6,477,750	(727,267)
Other State sources	8,071,426	8,882,483	12,738,431	3,855,948
Other local sources	1,636,470	2,738,561	4,282,182	1,543,621
Total Revenues [1]	103,120,613	105,815,388	110,624,941	4,809,553
EXPENDITURES				
Current				
Certificated salaries	45,748,255	45,226,845	44,785,678	441,167
Classified salaries	16,198,639	17,039,413	16,729,233	310,180
Employee benefits	20,444,589	20,274,469	23,838,777	(3,564,308)
Books and supplies	7,481,074	7,450,607	6,691,067	759,540
Services and operating expenditures	8,572,842	9,156,695	9,177,819	(21,124)
Other outgo	4,513,442	4,798,756	5,042,072	(243,316)
Capital outlay	1,137,775	2,352,070	1,949,442	402,628
Debt service - principal	41,703	41,703	-	41,703
Debt service - interest	2,081	2,081	2,000	81
Total Expenditures [1]	104,140,400	106,342,639	108,216,088	(1,873,449)
Excess (Deficiency) of Revenues Over Expenditures	(1,019,787)	(527,251)	2,408,853	2,936,104
Other Financing Sources (Uses)				
Transfers in	281,465	681,465	-	(681,465)
Transfers out	(1,600,000)	(1,600,000)	(700,000)	900,000
Net Financing Sources (Uses)	(1,318,535)	(918,535)	(700,000)	218,535
NET CHANGE IN FUND BALANCES	(2,338,322)	(1,445,786)	1,708,853	3,154,639
Fund Balance - Beginning	20,339,078	20,339,078	20,339,078	-
Fund Balance - Ending	$ 18,000,756	$ 18,893,292	$ 22,047,931	$ 3,154,639

[1] On behalf payments of $3,844,216 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.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%	60,571,691	5.44%

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, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0857%	0.0948%	0.0830%
District's proportionate share of the net pension liability	$ 69,338,738	$ 63,849,154	$ 48,497,613
State's proportionate share of the net pension liability associated with the District	39,473,307	33,769,164	29,284,952
Total	$ 108,812,045	$ 97,618,318	$ 77,782,565
District's covered - employee payroll	$ 43,596,803	$ 40,718,829	$ 38,955,594
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	159.05%	156.80%	124.49%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1350%	0.1273%	0.1310%
District's proportionate share of the net pension liability	$ 26,658,156	$ 18,756,783	$ 14,874,020
District's covered - employee payroll	$ 16,318,494	$ 13,803,101	$ 13,781,650
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.36%	135.89%	107.93%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 5,465,138	$ 4,677,937	$ 3,615,832
Contributions in relation to the contractually required contribution	5,465,138	4,677,937	3,615,832
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 43,443,068	$ 43,596,803	$ 40,718,829
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 2,316,604	$ 1,933,252	$ 1,624,763
Contributions in relation to the contractually required contribution	2,316,604	1,933,252	1,624,763
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 16,680,616	$ 16,318,494	$ 13,803,101
Contributions as a percentage of covered - employee payroll	13.888%	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.

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

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

Schedule of District Contributions

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

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SUPPLEMENTARY INFORMATION

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LOMPOC UNIFIED SCHOOL DISTRICT

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

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]	$ 1,287,552
Passed through California Department of Education (CDE):			
Adult Education: Adult Basic Education and ESL	84.002A	14508	32,216
Adult Education: Adult Secondary Education	84.002	13978	6,522
Adult Education: English Literacy and Civics Education	84.002A	14109	15,778
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,530,672
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330B	14831	5,928
Title II, Part A - Improving Teacher Quality	84.367	14341	282,373
Title III, English Learner Student Program	84.365	14346	115,321
Carl D. Perkins Vocational and Technical Education:			
Secondary, Section 131	84.048	14894	93,730
Passed through Santa Barbara SELPA			
Special Education (IDEA) Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,517,536
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	58,610
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	196,987
Subtotal Special Education (IDEA) Cluster			1,773,133
Total - U.S. Department of Education			6,143,225
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	210,050
Medi-Cal Billing Option	93.778	10013	137,086
Total U.S. Department of Health and Human Services			347,136
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	536,763
National School Lunch Program	10.555	13396	2,268,341
Commodities	10.555	13396	289,590
Meal Supplements	10.556	13392	42,420
Seamless Summer Feeding Program, Operating	10.559	13004	49,400
Seamless Summer Feeding Program, Administration	10.559	13006	5,225
Subtotal Child Nutrition Cluster			3,191,739
Total U.S. Department of Agriculture			3,191,739
Total Federal Programs			$ 9,682,100

[1] Direct funded program

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

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
Bill Heath	Vice President	2018
Jeff Carlovsky	Clerk	2020
Dick Barrett	Member	2020
Richard King	Member	2020

ADMINISTRATION

Trevor McDonald	Superintendent
John Karbula	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, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,945.85	2,946.47
Fourth through sixth	2,084.83	2,082.73
Seventh and eighth	1,392.96	1,386.07
Ninth through twelfth	2,703.81	2,683.55
Total Regular ADA	9,127.45	9,098.82
Extended Year Special Education		
Transitional kindergarten through third	4.87	4.87
Fourth through sixth	2.96	2.96
Seventh and eighth	1.61	1.61
Ninth through twelfth	2.45	2.45
Total Extended Year Special Education	11.89	11.89
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.30	0.54
Ninth through twelfth	1.00	1.00
Total Special Education, Nonpublic, Nonsectarian Schools	1.30	1.54
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.23	0.18
Community Day School		
Seventh and eighth	4.18	3.71
Ninth through twelfth	7.80	5.54
Total Community Day School	11.98	9.25
Total ADA	9,152.85	9,121.68

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	51,192	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	N/A	Complied
Grade 2		50,400	180	N/A	Complied
Grade 3		50,400	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,012	180	N/A	Complied
Grade 5		54,012	180	N/A	Complied
Grade 6		54,012	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,040	180	N/A	Complied
Grade 8		61,040	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,843	180	N/A	Complied
Grade 10		64,843	180	N/A	Complied
Grade 11		64,843	180	N/A	Complied
Grade 12		64,843	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

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

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND [4]				
Revenues	$ 102,521,085	$ 106,775,897	$ 103,511,837	$ 88,732,673
Other sources	-	681,465	-	200,000
Total Revenues and Other Sources	102,521,085	107,457,362	103,511,837	88,932,673
Expenditures	104,271,840	103,917,732	96,414,169	89,061,578
Other uses and transfers out	-	1,600,000	1,200,000	1,259,830
Total Expenditures and Other Uses	104,271,840	105,517,732	97,614,169	90,321,408
INCREASE (DECREASE) IN FUND BALANCE	$ (1,750,755)	$ 1,939,630	$ 5,897,668	$ (1,388,735)
ENDING FUND BALANCE	$ 19,598,050	$ 21,348,805	$ 19,409,175	$ 13,511,507
AVAILABLE RESERVES [2]	$ 3,679,330	$ 3,715,532	$ 3,075,532	$ 5,417,225
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.53%	3.52%	3.15%	6.00%
LONG-TERM OBLIGATIONS	N/A	$ 30,437,745	$ 33,776,094	$ 32,599,011
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,031	9,153	9,295	9,239

The General Fund balance has increased by $7,837,298 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $1,750,755 (8.2 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 surpluses in two of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have decreased by $2,161,266 over the past two years.

Average daily attendance has decreased by 86 over the past two years. An additional decline of 122 ADA is anticipated during fiscal year 2017-2018.

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

[2] Available reserves consist of all 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 years 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.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

	Adult Education Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 486,202	$ 921,417	$ 10,073
Receivables	145,414	558,749	22
Due from other funds	56,044	-	-
Stores inventories	-	47,670	-
Total Assets	$ 687,660	$ 1,527,836	$ 10,095
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,961	$ 230,559	$ -
Due to other funds	424,455	174,888	-
Total Liabilities	427,416	405,447	-
Fund Balances:			
Nonspendable	-	52,670	-
Restricted	107,739	957,989	10,095
Assigned	152,505	111,730	-
Total Fund Balances	260,244	1,122,389	10,095
Total Liabilities and Fund Balances	$ 687,660	$ 1,527,836	$ 10,095

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ 1,284,388	$ 297,024	$ 2,999,104
2,698	40,450	747,333
-	-	56,044
-	-	47,670
$ 1,287,086	$ 337,474	$ 3,850,151
$ -	$ 39,335	$ 272,855
-	-	599,343
-	39,335	872,198
-	-	52,670
1,287,086	-	2,362,909
-	298,139	562,374
1,287,086	298,139	2,977,953
$ 1,287,086	$ 337,474	$ 3,850,151

LOMPOC UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	$ 54,516	$ 3,191,739	$ -
Other State sources	363,999	215,183	-
Other local sources	16,185	739,701	683
Total Revenues	434,700	4,146,623	683
EXPENDITURES			
Current			
Instruction	288,256	-	-
Instruction-related activities:			
School site administration	215,714	-	-
Pupil services:			
Food services	-	3,933,939	-
All other pupil services	49,960	-	-
Administration:			
All other administration	29,876	174,222	-
Plant services	2,490	63,517	3,983
Facility acquisition and construction	37,365	94,644	285,890
Total Expenditures	623,661	4,266,322	289,873
Deficiency of Revenues of Over Expenditures	(188,961)	(119,699)	(289,190)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(400,000)	-	-
Net Financing Sources (Uses)	(400,000)	-	-
NET CHANGE IN FUND BALANCES	(588,961)	(119,699)	(289,190)
Fund Balance - Beginning	849,205	1,242,088	299,285
Fund Balance - Ending	$ 260,244	$ 1,122,389	$ 10,095

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$. -	$ 3,246,255
-	-	579,182
64,222	43,147	863,938
64,222	43,147	4,689,375
-	-	288,256
-	-	215,714
-	-	3,933,939
-	-	49,960
-	-	204,098
1,200	209,752	280,942
404,064	625,664	1,447,627
405,264	835,416	6,420,536
(341,042)	(792,269)	(1,731,161)
-	1,100,000	1,100,000
-	-	(400,000)
-	1,100,000	700,000
(341,042)	307,731	(1,031,161)
1,628,128	(9,592)	4,009,114
$ 1,287,086	$ 298,139	$ 2,977,953

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 have been recorded in the current period that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted balances in the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 9,724,005
Medi-Cal Billing Option	93.778	(41,905)
Total Schedule of Expenditures of Federal Awards		$ 9,682,100

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.

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.

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INDEPENDENT AUDITOR'S REPORTS

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2017, 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, 2017.

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.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2017.

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, 2017

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, 2017. 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 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, 2017.

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

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

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

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
December 15, 2017

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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

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, 2017.

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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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	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 High Schools; therefore, we did not perform any testing related to the 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, 2017

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Schedule of Findings and Questioned Costs

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LOMPOC UNIFIED SCHOOL DISTRICT

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

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster

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

LOMPOC UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

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

None reported.

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

None reported.

LOMPOC UNIFIED SCHOOL DISTRICT

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

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.

Federal Awards Findings

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 2015-2016 fiscal year. Based on the audit conducted, the A&I Division disclosed that the District's LEAP expired during the 2014-2015 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.

Current Status

Implemented

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 2015-2016 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 activities being funded by Title I, Part A at the school that matches the schools' annual allocation, a draft CARS spreadsheet (i.e. 2015-2016 Title I, Part A CARS Winter Con Ap) for 2016-2017, and a 2016-2017 budget for the schools, with the provision that all documents for both schools must match.

Current Status

Implemented

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.

Current Status

Implemented

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

State Awards Findings

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 2015-2016; 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 2015-2016 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 2015-2016.

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 2015-2016. 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 2015-2016 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 2015-2016 – 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.

Current Status

Implemented

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
Lompoc Unified School District
Lompoc, California

In planning and performing our audit of the financial statements of Lompoc Unified School District (the District), for the year ended June 30, 2017, 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, 2017 on the government-wide financial statements of the District.

INTERNAL CONTROLS

District Office

Payroll Services Department

Observation

During testing of vacation balances, it was noted that vacation usage is not being consistently recorded in the District's 'leave' accounting system. For the ten employees tested who utilized vacation time, five had vacation usage that was not entered into the accounting system. This resulted in an overstatement of those employees' vacation balances. An additional employee had vacation usage entered on a District holiday, resulting in an understatement of that employee's vacation balance.

Recommendation

The District should consider designing and implementing an independent review procedure to verify if the vacation postings are accurately recorded. This would allow the District to potentially identify inaccuracies and obtain assurance that accruals in the leave accounting system are correct.

Observation

It was noted that payroll staff have access to functions in the District's payroll accounting system that should be restricted to the Human Resources Department. Specifically, it appears that Payroll Services personnel have the ability to add new employees to the payroll accounting system.

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Recommendation

The District should review the levels of access granted to the Payroll Services staff to those functions necessary for their daily job functions. Limiting the ability to add employees to the payroll system to the Human Resources staff is an important component of the overall internal control system that creates a segregation of duties between the two departments.

SITE-BASED ACCOUNTS

Vandenberg Middle School and Lompoc Valley Middle School

Observation

In reviewing Vandenberg Middle School's and Lompoc Valley Middle School's bank accounts, we noted that in addition to associated student body (ASB) bank accounts, both sites also maintained administrative function bank accounts. We noted that there were ASB activities included in these accounts.

Recommendation

Since the purpose of the administration bank accounts is unclear, we suggest that the District close these accounts and deposit the funds into each site's main associated student body (ASB) account or the District's General Fund, as appropriate.

Vandenberg Middle School

Bank Reconciliations

Observation

During our testing of the Administrative Functions bank reconciliation for June 2017, we noted two stale-dated checks (six months or older from date of issuance), dated December 2015 and January 2016, and ten outstanding deposits and credits dated November 2015 through June 2017.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared." Outstanding deposits would normally clear within a few days of the beginning of the statement period. Any deposits that have not cleared on the subsequent bank statement should be examined to determine if they were actually deposited or are still on hand at the site. Any remaining outstanding items should be written off against current activity.

Governing Board
Lompoc Unified School District

ASSOCIATED STUDENT BODY (ASB) ACCOUNTS

Lompoc Valley Middle School

Internal Controls

Observations

In our testing of internal controls over the receipting process, we noted the following:

- The ASB bookkeeper uses the same receipt book to issue receipts for the ASB and the site's Administrative Function account.
- Advisors do not consistently provide supporting documentation to demonstrate that their deposit is intact and accurate. For six of twelve deposits selected for testing, advisors had submitted only a deposit slip that indicated the amount of the deposit. In addition, for three of the twelve deposits selected for testing, the supporting documentation provided did not agree to the amount of the deposit. There was no explanation for the overage/shortage.
- Eleven of twelve deposits tested were not deposited in a timely manner. The delays ranged from 13 to 41 days from the date of initial receipt.

Recommendations

- The ASB clerk should use a receipt book specifically for ASB activity. This will ensure that the reviewer can determine that deposits are intact and timely.
- Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
- The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Observation

In our testing of internal controls over the cash disbursements process, we noted five of eight disbursements selected for testing were not approved in advance of a purchase being made or a commitment being made to a vendor. Additionally, four of eight disbursements lacked receiving documentation.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are approved in advance by the three required individuals, the ASB advisor, the student body representative, and the authorized administrator. This would allow the reviewing administrator and/or the student council representative to determine if the payment being made is appropriate, has been approved by the students, and if sufficient funding is available to finance the payment.

All disbursements should be accompanied by signed receiving documentation. This reduces the risk of items being paid for and not received. The person accepting an order should compare the items received to the receiving documentation for accuracy and completeness and initial and date the documentation to indicate his/her review.

Observation

Revenue potential forms are not being completed to document the actual sales and deposits as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

The revenue potential form is a vital internal control tool; it should be used to document expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and profitability.

Vandenberg Middle School

Bank Reconciliations

Observation

During our testing of the June 2017 bank account reconciliation, we noted six stale-dated checks, dated from December 2015 through August 2016, and 17 outstanding deposits and credits dated December 2015 through June 2017.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared." Outstanding deposits would normally clear within a few days of the beginning of the statement period. Any deposits that have not cleared on the subsequent bank statement should be examined to determine if they were actually deposited or are still on hand at the site. Any remaining outstanding items should be written off against current activity.

Governing Board
Lompoc Unified School District

Cabrillo High School

Bank Reconciliations

Observation

During our testing of the June 2017 bank account reconciliation, we noted three stale-dated checks, dated March 2016 through December 2016.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared."

Internal Controls

Observations

In our testing of internal controls over the receipting process, we noted the following:

- Advisors do not consistently provide supporting documentation to demonstrate that their deposit is intact and accurate. For six of twelve deposits selected for testing, advisors had submitted only a deposit slip indicating the amount of the deposit
- Advisors do not perform a dual count when reconciling daily sales to cash on hand. In addition, it was noted that a dual count does not take place when the accounting technician receives cash from advisors.

Recommendations

- Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
- A dual count and reconciliation between cash on hand and supporting documentation ensures that the advisor's deposit is intact and accurate. It is just as important that the accounting technician perform a recount with another individual to ensure that money agrees to its supporting documentation and that is it included in the bank deposit intact. Each time a dual count takes place, we recommend that both individuals initial and date the cash count.

Governing Board
Lompoc Unified School District

Observations

In our testing of internal controls over the cash disbursements process, we noted the following:

- The ASB bookkeeper is one of the three established approvers for disbursements.
- Of 25 disbursements selected for testing, 14 were not approved in advance of a purchase being made or a commitment being made to a vendor.
- Of 25 disbursements selected for testing, the backup for eight did not include receiving documentation.
- ASB funds were used to purchase instructional materials, including supplies for a science lab.
- A donation of ASB funds was made to the American Cancer Society.

Recommendations

- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are approved in advance by the three required individuals, the ASB advisor, the student body representative, and the authorized administrator. This would allow the reviewing administrator and/or the student council representative to determine if the payment being made is appropriate, has been approved by the students, and if sufficient funding is available to finance the payment. Replacing one of the adults noted with the bookkeeper circumvents the segregation of duties provided by the internal control system described.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are approved in advance by the three required individuals, the ASB advisor, the student body representative, and the authorized administrator. This would allow the reviewing administrator and/or the student council representative to determine if the payment being made is appropriate, has been approved by the students, and if sufficient funding is available to finance the payment.
- All disbursements should be accompanied by signed receiving documentation. This reduces the risk of items being paid for and not received. The person accepting an order should review the receiving documentation for accuracy and completeness, and initial and date it to indicate his/her review.
- ASB funds are to be used for extra-curricular activities and expenditures are to be initiated by students. Instructional materials are the responsibility of the District.
- The ASB should refer to the Fiscal Crisis and Management Assistance Team Associated Student Body Accounting Manual Chapter 14 – "Allowable and Questionable Expenses," specifically the section on Donations, for guidance regarding the appropriate way to account for charity fundraisers. The ASB should follow the guidelines there to avoid the appearance of a gift of public funds.

Governing Board
Lompoc Unified School District

Observation

We noted discrepancies between the number of tickets sold and the money submitted for deposit with no explanation of the overage or shortage.

Recommendation

All overages and shortages should be investigated by advisors when they complete a ticket sales recap. This should be done to ensure that tickets and/or cash have not been misplaced. In addition, the advisor should document in writing what caused the overage or shortage.

Lompoc High School

Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts as of June 30, 2017, we noted various trust accounts, in addition to the general ASB account ended the year with an aggregate negative balance of $7,519.98. Since the student body accounts represent individual portions of the cash and asset pool, by allowing some accounts to operate with negative balances, these accounts have spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has sufficient funds on hand. This control feature has not been sufficiently followed. 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.

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.

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, 2017