



**LOS ALAMITOS
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2016

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds - Statement of Net Position	22
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	23
Proprietary Funds - Statement of Cash Flows	24
Fiduciary Funds - Statement of Net Position	25
Notes to Financial Statements	26

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	70
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	71
Schedule of the District's Proportionate Share of the Net Pension Liability	72
Schedule of District Contributions	73
Note to Required Supplementary Information	74

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	76
Summary of Children and Families Commission of Orange County - School Readiness	77
Local Education Agency Organization Structure	78
Schedule of Average Daily Attendance	79
Schedule of Instructional Time	80
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	81
Schedule of Financial Trends and Analysis	82
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	84
Note to Supplementary Information	85

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	88
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by Uniform Guidance	90
Report on State Compliance	92

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	96
Financial Statement Findings	97
Federal Award Findings and Questioned Costs	98
State Award Findings and Questioned Costs	99
Summary Schedule of Prior Audit Findings	100

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Los Alamitos Unified School District, as of June 30, 2016, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 70, schedule of other postemployment benefits funding progress on page 71, schedule of the district's proportionate share of net pension liability on page 72, and the schedule of district contributions on page 73, 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 Los Alamitos Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Los Alamitos Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Alamitos Unified School District's internal control over financial reporting and compliance.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016

Los Alamitos Unified School District

10293 Bloomfield Street • Los Alamitos, California 90720-2200
(562) 799-4700 • Fax (562) 799-4730

Sherry Kropp, Ed.D.
Superintendent



This section of Los Alamitos Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information from 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of Los Alamitos Unified School District and its component units using the integrated approach as prescribed by Government 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. These statements include all assets of the District, 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 three categories of activities: governmental, proprietary, and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the 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 Los Alamitos Unified School District.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The District's financial status has remained positive.

- Total net assets in governmental activities were recorded at \$8,916,364.
- Overall revenues in Governmental Activities were \$118,099,119.
- Construction projects worth approximately \$9.2 million were added to fixed assets net of depreciation.
- District office modernization and auxiliary sites were completed on time during 2015-2016.
- Refunding bonds were issued July 8, 2015 in the amount of \$25,580,000 to pay off the 2008 General Obligation Bond, Series 2009.
- The State budget includes a one-time discretionary fund at \$530 per ADA or approximately \$5 million (roughly \$3 million to be carried over for future adoption of textbooks).
- Ongoing technology and deferred maintenance in the amount of \$1,750,000 were expended. In addition, \$2 million was allocated in one time funds for technology and deferred maintenance projects.
- LCFF funding increase by approximately \$7.3 million for 2015-2016.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

The relationship between revenues and expenses is the District's *operating results*. Since the 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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In the *Statement of Net Position* and the *Statement of Activities*, we report 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, adult education 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.

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.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

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, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$8,916,364 for the fiscal year ended June 30, 2016. Of this amount, \$(11,811,474) was unrestricted deficit. 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 net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 92,341,811	\$ 89,852,272
Capital assets	174,950,013	173,802,605
Total Assets	<u>267,291,824</u>	<u>263,654,877</u>
Deferred Outflows of Reserves	<u>19,482,324</u>	<u>4,970,055</u>
Liabilities		
Current liabilities	11,671,182	12,725,033
Long-term obligations	174,767,750	166,669,442
Net pension liability	78,386,621	65,433,253
Total Liabilities	<u>264,825,553</u>	<u>244,827,728</u>
Deferred Inflows of Reserves	<u>15,095,231</u>	<u>17,199,145</u>
Net Position		
Net investment in capital assets	10,743,258	24,844,946
Restricted	9,984,580	16,854,307
Unrestricted (deficit)	(11,811,474)	(35,101,194)
Total Net Position	<u>\$ 8,916,364</u>	<u>\$ 6,598,059</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 1,556,794	\$ 1,625,518
Operating grants and contributions	14,183,511	10,383,880
General revenues:		
Federal and State aid not restricted to specific purposes	45,279,321	37,856,745
Property taxes	46,844,367	39,239,427
Other general revenues	15,477,963	12,601,697
Total Revenues	<u>123,341,956</u>	<u>101,707,267</u>
Expenses		
Instruction	70,385,953	66,271,701
Student support services	9,512,530	7,780,836
Pupil services	8,584,752	7,693,847
Administration	6,530,663	6,237,033
Maintenance and operations	8,367,236	9,280,303
Other	17,642,517	15,156,316
Total Expenses	<u>121,023,651</u>	<u>112,420,036</u>
Change in Net Position (Deficit)	<u>\$ 2,318,305</u>	<u>\$ (10,712,769)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$121,023,651. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$46,844,367 because the cost was paid by those who benefited from the programs \$1,556,794 or by other governments and organizations who subsidized certain programs with grants and contributions of \$14,183,511. We paid for the remaining "public benefit" portion of our governmental activities with \$45,279,321 in State and Federal funds, and with \$15,477,963 in other revenues like interest and general entitlements and prior year reserves.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In Table 3, we have presented the cost of each of the District's largest 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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 70,385,953	\$ 60,299,729	\$ 66,271,701	\$ 60,299,729
Instruction-related activities	9,512,530	8,933,884	7,780,836	15,895,720
Home-to-school transportation	1,789,234	1,789,234	1,237,097	17,250,902
Other pupil services	6,795,518	3,969,458	6,456,750	3,969,458
Administration	6,530,663	6,157,526	6,237,033	6,157,526
Plant services	8,367,236	8,331,817	9,280,303	8,331,817
Ancillary services	429,241	416,359	589,562	416,359
Community services	3,994,272	3,994,272	3,788,371	3,994,272
Interest on long-term obligations	8,742,767	8,742,767	8,662,738	11,859,550
Other outgo	4,476,237	2,648,300	2,115,645	2,648,300
Total	\$ 121,023,651	\$ 105,283,346	\$ 112,420,036	\$ 130,823,633

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$76,575,456.

Table 4

	Fund Balance	
	2016	2015
General Fund	\$ 49,867,408	\$ 43,329,129
Bond Interest and Redemption	7,088,578	7,673,788
Non-Major Governmental Funds	19,619,470	21,578,637
Total	\$ 76,575,456	\$ 72,581,554

General Fund Budgetary Highlights

Over the course of the year, the District may revise its budget as new information becomes available. These revisions are presented to and approved by our Governing Board at First Interim, Second Interim and at presentation of the Unaudited Actuals. Please see the General Fund Budgetary Comparison Schedule on page 70.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$174,950,013 for governmental activities in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. Depreciation expense for the year was \$9,898,945.

Table 5

	Governmental Activities	
	2016	2015
Land and construction in process	\$ 4,314,799	\$ 21,417,730
Land improvements	6,136,619	5,952,512
Buildings and improvements	160,358,549	140,842,420
Equipment, furniture and vehicles	4,140,046	5,589,943
Total	\$ 174,950,013	\$ 173,802,605

The 2015-2016 additions were financed mainly from general obligation bonds proceeds for building improvements of approximately \$7.7 million.

Long-Term Obligations

At the end of this year, the District had \$172,704,350 in long-term obligations outstanding. The District increased the general obligation bonds by \$2,264,780 in 2015-2016.

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 106,385,436	\$ 104,120,656
Premium on issuance	4,379,194	2,558,815
Discount on issuance	(35,640)	(213,840)
Certificates of participation	57,821,319	57,323,849
Accumulated vacation	616,642	550,675
OPEB obligation - net	3,537,799	2,329,287
Total	\$ 172,704,750	\$ 166,669,442

Net Pension Liability (NPL)

As of June 30, 2016 and 2015, the total net pension liability as required by GASB Statement No. 68 was \$78,386,621 and \$65,433,253, respectively.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEARS' BUDGETS

The following assumptions, based upon the Adopted Budget, are reflected in the District's 2016-2017 budget:

On June 27, 2016, Governor Brown signed the 2016-2017 Budget Act and related trailer bills, putting into place a spending plan for 2016-2017. The budget package reflects Prop. 98 funding for K-14 education of \$71.9 billion in 2016-2017, a \$3.5 billion increase over 2015-2016 Budget Act level. The budget package also includes a total of \$56.8 billion for Local Control Funding Formula (LCFF) funding, including an additional \$2.94 billion to school districts and charter schools for the fourth year of LCFF implementation. This funding increase will bring LCFF to an estimated 96 percent of the way to full implementation statewide. Gap funding percentage for 2016-2017 is projected at 54.84 percent.

The following are the assumptions used for the latest 2016-2017 budget:

- There is no "funded" 2016-2017 cost of living adjustment (COLA) for LCFF calculations.
- Based on enrollment estimates as of August 2015, we are projecting our actual 2016-2017 ADA to be 9,703.
- LCFF funding is projected to be approximately \$77 million or an increase of approximately \$3 million.
- The Education Protection Account (EPA) entitlement, which is included in the LCFF but has spending restrictions, is projected to be \$13,071,040.
- For 2016-2017 Impact Aid-Section 8002 in the Federal budget is approximately \$3.4 million.
- Unrestricted lottery income is projected at \$140 per annual ADA for unrestricted and restricted lottery income is projected at \$41 per annual ADA.
- Mandate Block Grant is budgeted at \$28 per K-8 ADA and \$56 per 9-12 ADA.
- Interest income is estimated at 0.49 percent.
- The 2016-2017 State budget includes a one-time discretionary fund at \$237 per ADA and is projected to be approximately \$2 million.

Expenditures - The following expenditure assumptions were used for the 2016-2017 budget:

- The 2016-2017 budget acknowledges all known staffing as of August 31, 2016.
- The current cost of salary step and column is included.
- The ongoing eight percent salary increase from 2015-2016 and two percent for 2016-2017 are included.
- STRS/PERS rate increases (12.58 percent and 13.88 percent, respectively) have been included which cost approximately \$1,320,000 for 2016-2017.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

- Health and Welfare costs are estimated to increase to \$10,936 per employee for 2016-2017.
- The District's LCAP controls and directs new expenditure priorities as approved by the Board and County Office.

The District projects financial solvency above the State-wide minimum levels through 2018-2019 and closely monitors its operating budget, presenting regularly-scheduled interim reports to the governing board for approval and adoption of changes to the budget during the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances to show the District's accountability for the money it receives. Questions about this report or a need for further information may be directed to the Deputy Superintendent at Los Alamitos Unified School District, 10293 Bloomfield Street, Los Alamitos, California, 90720-2264.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 87,842,525
Receivables	4,402,835
Prepaid expenditures	21,946
Stores inventories	74,505
Capital assets	
Land and construction in process	4,314,799
Other capital assets	246,627,798
Less: Accumulated depreciation	(75,992,584)
Total Capital Assets	<u>174,950,013</u>
Total Assets	<u>267,291,824</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,531,671
Deferred outflows of resources related to pensions	15,950,653
Total Deferred Outflows of Resources	<u>19,482,324</u>
LIABILITIES	
Accounts payable	7,780,161
Interest payable	2,228,337
Unearned revenue	1,060,022
Claims liabilities	602,662
Long-Term Obligations	
Current portion of long-term obligations other than pensions	2,870,000
Noncurrent portion of long-term obligations	169,834,750
Total Long-Term Obligations	<u>184,375,932</u>
Aggregate net pension liability	78,386,621
Total Liabilities	<u>262,762,553</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	15,095,231
Total Deferred Inflows of Resources	<u>15,095,231</u>
NET POSITION	
Net investment in capital assets	10,743,258
Restricted for:	
Debt service	4,860,241
Capital projects	3,881,119
Educational programs	1,243,220
Unrestricted (deficit)	(11,811,474)
Total Net Position	<u>\$ 8,916,364</u>

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 70,385,953	\$ 60,983	\$ 10,025,241	\$ (60,299,729)
Instruction-related activities:				
Supervision of instruction	2,550,694	2,168	302,601	(2,245,925)
Instructional library, media and technology	661,902	-	47,817	(614,085)
School site administration	6,299,934	-	226,060	(6,073,874)
Pupil services:				
Home-to-school transportation	1,789,234	-	-	(1,789,234)
Food services	2,404,827	1,309,101	749,062	(346,664)
All other pupil services	4,390,691	4,138	763,759	(3,622,794)
Administration:				
Data processing	2,118,125	-	-	(2,118,125)
All other administration	4,412,538	62,597	310,540	(4,039,401)
Plant services	8,367,236	-	35,419	(8,331,817)
Ancillary services	429,241	-	12,882	(416,359)
Community services	3,994,272	-	-	(3,994,272)
Interest on long-term obligations	8,742,767	-	-	(8,742,767)
Other outgo	4,476,237	117,807	1,710,130	(2,648,300)
Total Governmental Activities	\$ 121,023,651	\$ 1,556,794	\$ 14,183,511	(105,283,346)
General revenues and subventions:				
Property taxes, levied for general purposes				39,692,392
Property taxes, levied for debt service				7,060,271
Taxes levied for other specific purposes				91,704
Federal and State aid not restricted to specific purposes				45,279,321
Interest and investment earnings				472,993
Transfers between agencies				7,378,947
Special and extraordinary items				2,786,346
Miscellaneous				4,839,677
				Subtotal, General Revenues
				<u>107,601,651</u>
				Change in Net Position
				2,318,305
				Net Position - Beginning
				<u>6,598,059</u>
				Net Position - Ending
				<u>\$ 8,916,364</u>

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 55,128,511	\$ 7,088,578	\$ 20,812,542	\$ 83,029,631
Receivables	4,037,912	-	215,770	4,253,682
Due from other funds	308,913	-	398	309,311
Prepaid expenditures	21,946	-	-	21,946
Stores inventories	59,305	-	15,200	74,505
Total Assets	\$ 59,556,587	\$ 7,088,578	\$ 21,043,910	\$ 87,689,075
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,839,846	\$ -	\$ 719,301	\$ 7,559,147
Due to other funds	2,185,537	-	308,913	2,494,450
Unearned revenue	663,796	-	396,226	1,060,022
Total Liabilities	9,689,179	-	1,424,440	11,113,619
Fund Balances:				
Nonspendable	156,251	-	17,200	173,451
Restricted	856,297	7,088,578	386,923	8,331,798
Committed	-	-	3,881,119	3,881,119
Assigned	42,960,038	-	12,675,490	55,635,528
Unassigned	5,894,822	-	2,658,738	8,553,560
Total Fund Balances	49,867,408	7,088,578	19,619,470	76,575,456
Total Liabilities and Fund Balances	\$ 59,556,587	\$ 7,088,578	\$ 21,043,910	\$ 87,689,075

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds **\$ 76,575,456**

**Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:**

In governmental funds, only current assets are reported. In the
Statement of Net Position, all assets are reported, including capital
assets and accumulated depreciation.

The cost of capital assets is	\$ 250,942,597	
Accumulated depreciation is	<u>(75,992,584)</u>	
Total Capital Assets - Net		174,950,013

Expenditures relating to issuance of debt were recognized in modified
accrual basis, but should not be recognized in accrual basis. Under accrual
basis, these expenditures are capitalized and amortized over the life of the
debt as an adjustment to interest expense. 3,531,671

Expenditures relating to contributions made to pension plans were
recognized on the modified accrual basis, but are not recognized on the
accrual basis. 6,442,028

The net change in proportionate share of net pension liability as of the
measurement date is not recognized as an expenditure under the
modified accrual basis, but is recognized on the accrual basis over the
expected remaining service life of members receiving pension benefits. 1,234,995

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. (2,228,337)

An internal service fund is used by the District's management to
charge the costs of the workers' compensation insurance program to
the individual funds. The assets and liabilities of the internal service
fund are included with governmental activities. 6,323,510

The difference between projected and actual pension plan investment
earnings are not recognized on the modified accrual basis, but are
recognized on the accrual basis as an adjustment to pension expense. (5,694,412)

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	\$ (223,430)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of the members receiving pension benefits.	(903,759)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(78,386,621)
In governmental funds, only current liabilities are reported. In the Statement of Net Position, all liabilities, including long-term obligations are reported. Long-term obligations relating to governmental activities consist of:	
General obligation bonds	\$ (106,385,436)
Certificates of participation	(57,821,319)
Accumulated vacation	(616,642)
OPEB obligation - net	(3,537,799)
Unamortized premium	(4,379,194)
Unamortized discount	35,640
Total Long-Term Obligations	<u>(172,704,750)</u>
Total Net Position - Governmental Activities	<u><u>\$ 8,916,364</u></u>

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	General Fund	Bond Interest and Redemption Fund
REVENUES		
Local Control Funding Formula	\$ 73,881,169	\$ -
Federal sources	6,025,812	-
Other State sources	17,175,597	28,754
Other local sources	2,874,881	5,403,644
Total Revenues	99,957,459	5,432,398
EXPENDITURES		
Current		
Instruction	63,682,355	-
Instruction-related activities:		
Supervision of instruction	2,026,777	-
Instructional library, media and technology	588,090	-
School site administration	5,379,803	-
Pupil services:		
Home-to-school transportation	1,196,631	-
Food services	-	-
All other pupil services	4,020,844	-
Administration:		
Data processing	1,932,966	-
All other administration	3,996,727	-
Plant services	7,873,849	-
Facility acquisition and construction	1,994,657	-
Ancillary services	382,077	-
Community services	36,879	-
Other outgo	1,870,836	-
Debt service		
Principal	17,392	26,029,061
Interest and other	5,643	6,866,571
Total Expenditures	95,005,526	32,895,632
Excess (Deficiency) of Revenues Over Expenditures	4,951,933	(27,463,234)
Other Financing Sources (Uses)		
Transfers in	3,336,346	-
Other sources	-	28,573,175
Transfers out	(1,750,000)	-
Other uses	-	-
Net Financing Sources (Uses)	1,586,346	28,573,175
NET CHANGE IN FUND BALANCES	6,538,279	1,109,941
Fund Balances - Beginning	43,329,129	5,978,637
Fund Balances - Ending	\$ 49,867,408	\$ 7,088,578

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 73,881,169
740,760	6,766,572
182,264	17,386,615
11,786,238	20,064,763
12,709,262	118,099,119
977,482	64,659,837
178,829	2,205,606
-	588,090
33,487	5,413,290
-	1,196,631
2,192,878	2,192,878
98,374	4,119,218
-	1,932,966
196,269	4,192,996
235,651	8,109,500
9,051,696	11,046,353
-	382,077
1,885,633	1,922,512
-	1,870,836
1,513,547	27,560,000
1,193,415	8,065,629
17,557,261	145,458,419
(4,847,999)	(27,359,300)
1,750,000	2,487,264
2,599,082	33,771,339
(550,000)	(2,300,000)
(2,605,401)	(2,605,401)
1,193,681	31,353,202
(3,654,318)	3,993,902
23,273,788	72,581,554
\$ 19,619,470	\$ 76,575,456

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ 3,993,902**

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 capital outlays exceeds depreciation in the period.

Capital outlays	\$ 11,046,353	
Depreciation expense	<u>(9,898,945)</u>	
Net Expense Adjustment		1,147,408

In the Statement of Activities, certain operating expenses-compensated absences (vacations) and special termination benefits (early retirement) 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 vacation earned was less than the amounts used by \$65,967.

65,967

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.

(459,780)

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide financial statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

General obligation bonds		(25,580,000)
Premium on issuance		(2,993,175)

In governmental funds, repayments of long-term obligations are reported as expenditures. In the government-wide financial statements, repayments of long-term obligations are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term obligations were:

General obligation bonds		25,150,000
Certificates of participation		2,410,000

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide financial statements, issue costs are amortized over the life of the debt. The issue costs amortized for the period were:

Amortization of debt premium	\$ 1,172,796	
Amortization of debt discount	(178,200)	
Amortization of deferred amount on refunding	<u>3,531,671</u>	
Combined adjustment		\$ 4,526,267

In the governmental funds, interest is recorded as an expenditure in the funds when it becomes 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 increase by \$2,165. Second, the Certificates of Participation and the General Obligation Bonds, Series 2010 B, and Series E reported an additional \$4,480,250 of accreted interest in the current fiscal year. (4,744,415)

In the Statement of Activities, Other Postemployment Benefits (OPEB) obligations are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were more than the ARC by \$1,208,512. (1,208,512)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. 10,643

Change in Net Position of Governmental Activities **\$ 2,318,305**

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 4,812,894
Receivables	149,153
Due from other funds	2,185,139
Total Assets	<u>7,147,186</u>
 LIABILITIES	
Current Liabilities	
Accounts payables	221,014
Claims liabilities	602,662
Total Current Liabilities	<u>823,676</u>
 NET POSITION	
Restricted	<u>\$ 6,323,510</u>

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Other local revenues	\$ 9,850,967
OPERATING EXPENSES	
Professional and contract services	7,088,958
Operating Income	2,762,009
NONOPERATING REVENUES	
Interest income	34,980
Income Before Capital Contributions and Transfers	2,796,989
Transfers out - General Fund	(2,786,346)
Change in Net Position	10,643
Net Position - Beginning	6,312,867
Net Position - Ending	\$ 6,323,510

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 8,636,610
Cash payments to suppliers for goods and services	(10,115,602)
Net Cash Used by Operating Activities	<u>(1,478,992)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	34,980
Net Cash Provided by Investing Activities	<u>34,980</u>
Net decrease in cash and cash equivalents	(1,444,012)
Cash and cash equivalents - Beginning	6,256,906
Cash and cash equivalents - Ending	<u>\$ 4,812,894</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,762,009
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(35,774)
Due from other funds	(1,214,357)
Interfund transfers	(2,786,346)
Accrued liabilities	(87,986)
Claims liabilities	(116,538)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,478,992)</u>

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	<u>Agency Funds</u> <u>Associated</u> <u>Student</u> <u>Bodies</u>
ASSETS	
Deposits and investments	\$ 443,467
LIABILITIES	
Due to student groups	\$ 443,467

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Los Alamitos Unified School District (the District) was unified in 1980 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 six elementary schools, two middle schools, and one high school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Los Alamitos Unified School District Facilities Finance Corporation's (the "Corporation") financial activity is presented in the financial statements as the Special Reserve Fund for Capital Outlay Projects. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements are not prepared for the Los Alamitos Unified School District Facilities Finance Corporation.

The financial activity of the Community Facilities District (CFD) No. 90-1 of the Los Alamitos Unified School District is presented in the financial statements as the Capital Project Fund for Blended Component Units and in the fiduciary funds statement as the Debt Service Fund for Special Tax Bonds. Bonds issued by the CFD are not included as long-term obligations in the government-wide financial statements as they are not obligations of the District. Individually prepared financial statements are not prepared for the Community Facilities District No. 90-1.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 three broad fund categories: governmental, proprietary, 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 meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Other Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension 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 assets and revenues of \$18,121,236 and \$6,113,222, 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.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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 is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

Certification of Participation (COP) Debt Service Fund The COP Debt Service Fund is used to account for accumulation of resources for the payment of principal and interest on the COP debt issued by the District.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a health and welfare insurance program that is accounted for in an internal service fund.

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 funds account for the accumulation of resources for the 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 financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, 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. 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 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 and proprietary 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose 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 long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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 type funds and expenses in the proprietary 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. General capital assets are long-lived assets of the District as a whole. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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, 25 to 50 years; improvements, 20 to 50 years; equipment, 5 to 15 years; and vehicles, 6 to 8 years.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 assets.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

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 and capital leases are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund 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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board has not formally adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. However, the District continues to maintain the three percent reserve for economic uncertainties.

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 statement reports \$9,984,580 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for health and welfare benefits for the self-insurance fund. Operating expenses are a necessary cost incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 and after non-operating revenues/expenses in proprietary 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 activities column 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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

New Accounting Pronouncements

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

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

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

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 87,842,525
Fiduciary funds	443,467
Total Deposits and Investments	<u>\$ 88,285,992</u>

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

Cash on hand and in banks	\$ 943,467
Cash in revolving	77,000
Investments	87,265,525
Total Deposits and Investments	<u>\$ 88,285,992</u>

Policies and Practices

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

Investment in County Treasury –

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

General Authorizations

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

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

Interest Rate Risk

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

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Days Maturity
Orange County Investment Pool	\$ 87,480,482	339

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Credit Risk

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2016</u>	<u>Fair Value</u>
Orange County Investment Pool	Not Applicable	Not Rated	<u>\$ 87,480,482</u>

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$316,796, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Orange County Investment Pool	<u>\$ 87,480,482</u>	<u>\$ 87,480,482</u>

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

NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 1,681,990	\$ 109,776	\$ -	\$ 1,791,766
State Government				
Categorical aid	561,282	25,499	-	586,781
Lottery	1,116,314	-	-	1,116,314
Local Government				
Interest	41,384	11,908	2,901	53,292
Other Local Sources	636,942	68,587	146,252	705,529
Total	<u>\$ 4,037,912</u>	<u>\$ 215,770</u>	<u>\$ 149,153</u>	<u>\$ 4,253,682</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,450,219	\$ -	\$ -	\$ 2,450,219
Construction in process	18,967,511	1,864,580	18,967,511	1,864,580
Total Capital Assets Not Being Depreciated	<u>21,417,730</u>	<u>1,864,580</u>	<u>18,967,511</u>	<u>4,314,799</u>
Capital Assets Being Depreciated				
Land improvements	13,511,133	515,806	-	14,026,939
Buildings and improvements	195,365,634	27,025,245	-	222,390,879
Furniture and equipment	8,710,637	608,233	37,470	9,281,400
Vehicles	928,580	-	-	928,580
Total Capital Assets Being Depreciated	<u>218,515,984</u>	<u>28,149,284</u>	<u>37,470</u>	<u>246,627,798</u>
Less Accumulated Depreciation				
Land improvements	7,558,621	331,699	-	7,890,320
Buildings and improvements	54,523,214	7,509,116	-	62,032,330
Furniture and equipment	3,431,498	1,629,506	37,470	5,023,534
Vehicles	617,776	428,624	-	1,046,400
Total Accumulated Depreciation Governmental Activities	<u>66,131,109</u>	<u>9,898,945</u>	<u>37,470</u>	<u>75,992,584</u>
Capital Assets, Net	<u>\$ 173,802,605</u>	<u>\$ 20,114,919</u>	<u>\$ 18,967,511</u>	<u>\$ 174,950,013</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 5,777,955
Supervision of instruction	160,988
Instructional library, media, and technology	42,004
School site administration	437,460
Home-to-school transportation	120,506
Food services	239,423
All other pupil services	319,409
Data processing	47,598
All other administration	157,122
Plant services	352,333
Ancillary services	130,971
Community services	2,113,176
Total Depreciation Expenses Governmental Activities	<u>\$ 9,898,945</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 308,913	\$ 308,913
Non-Major Governmental Funds	398	-	398
Internal Service Fund	2,185,139	-	2,185,139
Total	<u>\$ 2,185,537</u>	<u>\$ 308,913</u>	<u>\$ 2,494,450</u>

The balance of \$292 is due to the General Fund from the Child Development for clear automatic payable accrual.

The balance of \$18 is due to the General Fund from the Cafeteria non-major fund automatic payable accrual.

The balance of \$88 is due to the General Fund from the Special Reserve Captial non-major fund automatic payable accrual.

The balance of \$2,185,139 is due to the General Fund from the Self-Insurance Fund for health and welfare benefits.

The balance of \$181,519 is due to the General Fund from the Child Development non-major Fund for indirect costs and, health and welfare benefits.

The balance of \$127,394 is due to the General Fund from the Cafeteria non-major Fund for indirect costs and, health and welfare benefits.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Operating Transfers

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

Transfers To	Transfers From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 550,000	\$ 2,786,346	\$ 3,336,346
Non-Major Governmental Funds	1,750,000	-	-	1,750,000
Total	<u>\$ 1,750,000</u>	<u>\$ 550,000</u>	<u>\$ 2,786,346</u>	<u>\$ 5,086,346</u>

The Internal Service Fund transferred to the General Fund for health and welfare benefits.	\$ 2,786,346
The Child Development Fund transferred to the General Fund for extended day care and to cover costs.	550,000
The General Fund transferred to the Deferred Maintenance Fund for ongoing site expenditures.	1,750,000
Total	<u>\$ 5,086,346</u>

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

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 2,571,202	\$ 179,945	\$ 221,014	\$ 2,972,161
Local Control Funding Formula	713,397	-	-	713,397
Salaries and benefits	3,555,247	539,356	-	4,094,603
Claims payable	-	-	602,662	602,662
Total	<u>\$ 6,839,846</u>	<u>\$ 719,301</u>	<u>\$ 823,676</u>	<u>\$ 8,382,823</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 29,740	\$ -	\$ 29,740
State categorical aid	634,056	-	634,056
Mandated costs	-	19,071	19,071
Other local	-	377,155	377,155
Total	<u>\$ 663,796</u>	<u>\$ 396,226</u>	<u>\$ 1,060,022</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Issue/ Additions	Accretion	Deductions	Balance June 30, 2016	Due in One Year
Governmental Activities						
General obligation bonds	\$ 104,120,656	\$ 25,580,000	\$ 1,834,780	\$ 25,150,000	\$ 106,385,436	\$ 325,000
Premium on issuance	2,558,815	2,993,175	-	1,172,796	4,379,194	-
Discount on issuance	(213,840)	-	-	(178,200)	(35,640)	-
Certificates of Participation	57,323,849	-	2,907,470	2,410,000	57,821,319	2,545,000
Accumulated vacation	550,675	65,967	-	-	616,642	-
OPEB obligation - net	2,329,287	1,532,918	-	324,406	3,537,799	-
	<u>\$ 166,669,442</u>	<u>\$ 30,172,060</u>	<u>\$ 4,742,250</u>	<u>\$ 28,879,002</u>	<u>\$ 172,704,750</u>	<u>\$ 2,870,000</u>

- Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund.
- Payments on the certificates of participation are made by the Capital Facilities Fund.
- Payments for accumulated vacation are typically liquidated in the fund for which the employee worked.
- Payments for the OPEB obligation are made by the General Fund.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds
				Outstanding July 1, 2015	Issued	Accretion	Redeemed	Outstanding June 30, 2016
11/08	8/18	2.25-5.50%	\$ 27,000,000	\$ 26,300,000	\$ -	\$ -	\$ 25,100,000	\$ 1,200,000
10/10	8/34	5.70-9.56%	2,000,032	2,710,546	-	184,225	-	2,894,771
10/10	8/35	6.21%	2,000,000	2,000,000	-	-	-	2,000,000
2/11	2/26	6.19%	19,000,000	19,000,000	-	-	-	19,000,000
7/13	8/44	2.50 - 6.29%	51,390,092	54,110,110	-	1,650,555	50,000	55,710,665
7/15	8/33	3-5%	25,580,000	-	25,580,000	-	-	25,580,000
				<u>\$ 104,120,656</u>	<u>\$ 25,580,000</u>	<u>\$ 1,834,780</u>	<u>\$ 25,150,000</u>	<u>\$ 106,385,436</u>

General Obligation Bonds – 2008 Election, Series 2009

In November 2008, the qualified electorate of the School Facilities Improvement District No. 1 of the Los Alamitos Unified School District approved the issuance and sale of General Obligation Bonds of \$126,000,000. The first issuance of Current Interest Bonds Series 2009 in the amount of \$27,000,000 occurred in January 2009. The proceeds of \$27,000,000 were used to finance improvements to school facilities, upgrade technology, and construct additional classroom and student performance facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. In 2015, the District refunded and redeemed \$25,100,000 of the \$26,300,000 outstanding balance. The remaining 2008 Election Series 2009 bonds mature each August 1 through August 2018, with semi-annual interest payments due February 1 and August 1 each year, commencing August 1, 2016. At June 30, 2016, the principal balance outstanding was \$1,200,000.

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 300,000	\$ 1,358,000	\$ 1,658,000
2018	400,000	1,345,500	1,745,500
2019	500,000	1,327,500	1,827,500
Total	<u>\$ 1,200,000</u>	<u>\$ 4,031,000</u>	<u>\$ 5,231,000</u>

General Obligation Bonds – 2008 Election, Series 2010B (Capital Appreciation)

In October 2010, the District issued \$2,000,032 in General Obligation Bonds, Election 2008, Series 2010B. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds accrete interest compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2011, to a maturity value of \$8,825,000. The bonds mature August 2028-2034, with accretion rates ranging from 5.70 to 9.56 percent. At June 30, 2016, the principal balance outstanding with accreted interest was \$2,894,771.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The bonds mature through 2035 as follows:

Fiscal Year	Principal Including Accreted Interest	Future Interest Accretion	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	1,172,746	2,092,856	3,265,602
2032-2035	1,722,025	3,837,373	5,559,398
Total	\$ 2,894,771	\$ 5,930,229	\$ 8,825,000

General Obligation Bonds – 2008 Election, Series 2010C (Current Interest)

In October 2010, the District issued \$2,000,000 in General Obligation Bonds, Election 2008, Series 2010C. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature August 2035, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2011. At June 30, 2016, the principal balance outstanding was \$2,000,000.

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ -	\$ 124,200	\$ 124,200
2018	-	124,200	124,200
2019	-	124,200	124,200
2020	-	124,200	124,200
2021	-	124,200	124,200
2022-2026	-	621,000	621,000
2027-2031	-	621,000	621,000
2032-2036	2,000,000	558,900	2,558,900
Total	\$ 2,000,000	\$ 2,421,900	\$ 4,421,900

General Obligation Bonds – 2008 Election, Series D (Qualified School Construction Bonds)

In February 2011, the District issued \$19,000,000 in General Obligation Bonds, Election 2008, Series D. The proceeds from the bonds will be used for the purpose of renovations, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. The bonds mature February 2026, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2012. At June 30, 2016, the principal balance outstanding was \$19,000,000.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ -	\$ 1,176,100	\$ 1,176,100
2018	-	1,176,100	1,176,100
2019	-	1,176,100	1,176,100
2020	-	1,176,100	1,176,100
2021	-	1,176,100	1,176,100
2022-2026	19,000,000	5,880,500	24,880,500
Total	\$ 19,000,000	\$ 11,761,000	\$ 30,761,000

General Obligation Bonds – 2008 Election, Series E

In July 2013, the District issued \$27,410,000 in current interest bonds, \$3,499,897 in capital appreciation bonds, and \$20,480,195 in convertible capital appreciation bonds of the General Obligation Bonds, Election of 2008 Series B. The capital appreciation bonds and convertible capital appreciation bonds accrete interest to a maturity value of \$13,490,000 and \$85,875,677, respectively. The bonds mature on August 1, 2039, August 1, 2036, and August 1, 2043, respectively, with interest yields ranging from 2.5 to 6.29 percent. The proceeds from the bonds will be used for the purpose of payment for the 2012 Bond Anticipation Note, construction, and improvement of school facilities. Taxes are collected by the Orange County Tax Assessor and remitted to a trustee for payment of principal and interest. At June 30, 2016, the principal balance outstanding was \$55,710,665.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Including Accreted Interest	Future Interest Accretion	Interest to Maturity	Total
2017	\$ 25,000	\$ 1,751,853	\$ 1,412,844	\$ 3,189,697
2018	50,000	1,859,618	1,412,219	3,321,837
2019	60,000	1,979,034	1,412,219	3,451,253
2020	100,000	2,095,527	1,407,819	3,603,346
2021	140,000	2,224,524	1,405,319	3,769,843
2022-2026	1,395,000	13,350,891	6,889,845	21,635,736
2027-2031	1,760,000	3,002,274	16,999,555	21,761,829
2032-2036	2,558,723	2,942,047	19,545,530	25,046,300
2037-2041	30,442,143	28,567	17,076,717	47,547,427
2042-2044	19,179,799	-	4,364,935	23,544,734
Total	\$ 55,710,665	\$ 29,234,335	\$ 71,927,002	\$ 156,872,002

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2015 General Obligation Refunding Bonds

In July 2015, the District issued 2015 General Obligation Refunding Bond in the amount of \$25,580,000. The District refunded and redeemed \$25,100,000 of the \$26,300,000 outstanding balance from the General Obligation Bonds, 2008 Election, Series 2009. The 2015 General Obligation Refunding Bonds, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2017 and mature August 1, 2033. The refunding resulted in a cumulative cash flow savings of \$2,303,474 over the life of the new based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted. At June 30, 2016, the principal balance outstanding was \$25,580,000 and deferred charges \$3,531,671.

The bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 195,000	\$ 1,118,475	\$ 1,313,475
2018	-	1,122,025	1,122,025
2019	-	1,122,025	1,122,025
2020	675,000	1,122,025	1,797,025
2021	775,000	1,095,025	1,870,025
2022-2026	5,590,000	4,882,325	10,472,325
2027-2031	9,910,000	3,182,825	13,092,825
2032-2034	8,435,000	642,801	9,077,801
Total	<u>\$ 25,580,000</u>	<u>\$ 14,287,526</u>	<u>\$ 39,867,526</u>

Certificates of Participation

The outstanding certificates of participation debt are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2015	Issued/ Accretion	Redeemed	Outstanding June 30, 2016
8/2003	8/2023	1.50 - 5.77%	\$ 7,294,015	\$ 11,590,369	\$ 565,287	\$ 1,610,000	\$ 10,545,656
8/2005	8/2024	3.10 - 5.20%	5,633,920	8,559,558	414,888	500,000	8,474,446
3/2007	8/2024	3.50 - 4.00%	7,530,000	4,970,000	-	300,000	4,670,000
6/2012	8/2042	5.22 - 6.40%	27,037,815	32,203,922	1,927,295	-	34,131,217
				<u>\$ 57,323,849</u>	<u>\$ 2,907,470</u>	<u>\$ 2,410,000</u>	<u>\$ 57,821,319</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

During August 2003, the District issued \$7,294,015 in certificates of participation for the purpose of financing the District's 2003 Capital Projects. The District is required to make lease payments of principal and interest in conjunction with these certificates of participation. Interest rates range from 1.50 percent to 5.77 percent. At June 30, 2016, the principal balance outstanding was \$10,545,656.

Payments are required as follows:

Fiscal Year	Principal	Future Interest	Total
	Including Accreted Interest	Accretion	
2017	\$ 1,590,582	\$ 19,418	\$ 1,610,000
2018	1,509,199	100,801	1,610,000
2019	1,429,211	180,789	1,610,000
2020	1,346,651	258,349	1,605,000
2021	1,274,847	335,153	1,610,000
2022-2024	3,395,166	1,429,834	4,825,000
Total	<u>\$ 10,545,656</u>	<u>\$ 2,324,344</u>	<u>\$ 12,870,000</u>

During August 2005, the District issued \$5,633,920 in certificates of participation for the purpose of financing the District's 2005 Capital Projects. The District is required to make lease payments of principal and interest in conjunction with these certificates of participation. Interest rates range from 3.10 percent to 5.20 percent. At June 30, 2016, the principal balance outstanding was \$8,474,446.

Payments are required as follows:

Fiscal Year	Principal	Future Interest	Total
	Including Accreted Interest	Accretion	
2017	\$ 597,096	\$ 2,904	\$ 600,000
2018	759,204	40,796	800,000
2019	812,636	87,364	900,000
2020	857,716	142,284	1,000,000
2021	977,015	222,985	1,200,000
2022-2025	4,470,779	1,829,221	6,300,000
Total	<u>\$ 8,474,446</u>	<u>\$ 2,325,554</u>	<u>\$ 10,800,000</u>

During March 2007, the District issued \$7,530,000 in certificates of participation for the purpose of refunding the 1997 certificates of participation and implementing the District's 2007 Capital Projects. The District is required to make lease payments of principal and interest in conjunction with these certificates of participation. Interest ranges from 3.50 percent to 4.00 percent. At June 30, 2016, the principal balance outstanding was \$4,670,000.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Payments are required as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 335,000	\$ 182,706	\$ 517,706
2018	280,000	170,406	450,406
2019	315,000	158,506	473,506
2020	365,000	144,906	509,906
2021	325,000	131,106	456,106
2022-2025	3,050,000	329,709	3,379,709
Total	<u>\$ 4,670,000</u>	<u>\$ 1,117,339</u>	<u>\$ 5,787,339</u>

During June 2012, the District issued \$27,037,816 in certificates of participation for the purpose of financing the District's acquisition, construction, modernization, and installation of school facilities. The District is required to make payments of principal and interest in conjunction with these certificates of participation. Interest rates range from 5.22 percent to 6.40 percent, and mature on August 1, 2042. At June 30, 2016, the principal balance was \$34,131,217.

Payments are required as follows:

Fiscal Year	Principal Including Accreted Interest	Future Interest Accretion	Interest to Maturity	Total
2017	\$ -	\$ 2,042,712	-	\$ 2,042,712
2018	-	2,165,044	-	2,165,044
2019	-	2,294,706	-	2,294,706
2020	-	2,432,139	-	2,432,139
2021	-	2,577,808	-	2,577,808
2022-2026	31,420,805	10,003,762	3,022,475	44,447,042
2027-2031	2,691,154	551,446	15,112,375	18,354,975
2032-2036	-	17,760	14,767,275	14,785,035
2037-2041	-	24,218	11,661,375	11,685,593
2042-2043	19,258	9,188	5,830,688	5,859,134
Total	<u>\$ 34,131,217</u>	<u>\$ 22,118,783</u>	<u>\$ 50,394,188</u>	<u>\$ 106,644,188</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$616,642.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$1,491,505, and contributions made by the District during the year were \$324,406. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$116,464 and \$(75,051), respectively, which resulted in an increase to the net OPEB obligation of \$1,208,512. As of June 30, 2016, the net OPEB obligation was \$3,537,799. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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	\$ 75,000	\$ -	\$ 2,000	\$ 77,000
Stores inventories	59,305	-	15,200	74,505
Prepaid expenditures	21,946	-	-	21,946
Total Nonspendable	<u>156,251</u>	<u>-</u>	<u>17,200</u>	<u>173,451</u>
Restricted				
Legally restricted				
programs	856,297	-	386,923	1,243,220
Debt services	-	7,088,578	-	7,088,578
Total Restricted	<u>856,297</u>	<u>7,088,578</u>	<u>386,923</u>	<u>8,331,798</u>
Committed				
Deferred maintenance program	-	-	3,881,119	3,881,119
Total Committed	<u>-</u>	<u>-</u>	<u>3,881,119</u>	<u>3,881,119</u>
Assigned				
Reserved for Postemployment	8,798,658	-	-	8,798,658
Special reserve funds	5,307,621	-	-	5,307,621
Other	28,853,759	-	12,675,490	41,529,249
Total Assigned	<u>42,960,038</u>	<u>-</u>	<u>12,675,490</u>	<u>55,635,528</u>
Unassigned				
Reserve for economic uncertainties	5,894,822	-	2,658,738	8,553,560
Total Unassigned	<u>5,894,822</u>	<u>-</u>	<u>2,658,738</u>	<u>8,553,560</u>
Total	<u>\$ 49,867,408</u>	<u>\$ 7,088,578</u>	<u>\$ 19,619,470</u>	<u>\$ 76,575,456</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 - 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 Los Alamitos Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their dependents. Membership of the Plan consists of 61 retirees and 568 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 Los Alamitos Education Association (LAEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, LAEA, CSEA, and the unrepresented groups. For fiscal year 2015-2016, the District contributed \$324,406 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 30 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	\$ 1,491,505
Interest on net OPEB obligation	116,464
Adjustment to annual required contribution	<u>(75,051)</u>
Annual OPEB cost (expense)	1,532,918
Contributions made	<u>(324,406)</u>
Increase in net OPEB obligation	1,208,512
Net OPEB obligation, beginning of year	<u>2,329,287</u>
Net OPEB obligation, end of year	<u><u>\$ 3,537,799</u></u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,255,209	\$ 707,768	56.39%	\$ 1,615,915
2015	\$ 1,497,250	\$ 783,878	52.35%	\$ 2,329,287
2016	\$ 1,532,918	\$ 324,406	21.16%	\$ 3,537,799

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 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)
December 1, 2014	\$ -	\$ 11,700,997	\$ 11,700,997	0%	\$ 55,655,608	21%

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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In the December 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included healthcare cost trend rates ranging from an initial 7.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2016, was 26 years.

NOTE 12 - RISK MANAGEMENT

The District is a member of the North Orange County Liability and Property Self-Insurance Authority. For General Liability coverage, the member retained limit/deductible is \$2,500 and combined single limit each occurrence of \$25,000. At which point, NOCLPSIA becomes a member of Southern California Relief JPA (SCR) with coverage to \$1,000,000. Then SCR has excess coverage for liability extending to \$25,000,000. For Property again, NOCLPSIA has property coverage up to \$250,000 in excess of the member's retained limit of \$2,500. Above that, NOCLPSIA joins SCR and excess coverage extends to \$250,000,000.

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. The District participates in public entity risk pools joint powers authorities (JPA's) for the workers' compensation and property and liability insurance. These activities are recorded in the General Fund. Refer to Note 15 for additional information regarding the JPA's.

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

Unpaid Claims Liabilities

The Self-Insurance Fund accounts for dental, vision, medical costs, and establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2016:

	<u>Health Care</u>
Liability Balance, July 1, 2014	\$ 1,107,106
Claims and changes in estimates	(8,230,767)
Claims payments	<u>8,151,861</u>
Liability Balance, June 30, 2015	1,028,200
Claims and changes in estimates	(7,627,365)
Claims payments	<u>7,201,827</u>
Liability Balance, June 30, 2016	<u>\$ 602,662</u>
Assets available to pay claims at June 30, 2016	<u><u>\$ 7,147,186</u></u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 63,677,660	\$ 11,060,382	\$ 11,272,035	\$ 4,851,896
CalPERS	14,708,961	4,890,271	3,823,196	1,310,451
Total	<u>\$ 78,386,621</u>	<u>\$ 15,950,653</u>	<u>\$ 15,095,231</u>	<u>\$ 6,162,347</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$4,978,957.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 63,677,660
State's proportionate share of the net pension liability associated with the District	33,678,462
Total	<u>\$ 97,356,122</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0946 percent and 0.00929 percent, resulting in a net increase in the proportionate share of 0.0017 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$4,851,896. In addition, the District recognized pension expense and revenue of \$2,997,117 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,978,957	\$ -
Net change in proportionate share of net pension liability	1,064,223	-
Difference between projected and actual earnings on pension plan investments	5,017,202	10,207,966
Difference between expected and actual experiences in the measurement of the total pension liability	-	1,064,069
Total	<u>\$ 11,060,382</u>	<u>\$ 11,272,035</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (2,148,355)
2018	(2,148,355)
2019	(2,148,355)
2020	1,254,301
Total	<u>\$ (5,190,764)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 26
2018	26
2019	26
2020	26
2021	26
Thereafter	24
Total	<u>\$ 154</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Actuarial Methods and Assumptions

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

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

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

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 96,148,310
Current discount rate (7.60%)	\$ 63,677,660
1% increase (8.60%)	\$ 36,691,929

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$1,463,071.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,708,961. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0998 percent and 0.0983 percent, resulting in a net increase in the proportionate share of 0.0015 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,310,451. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,463,071	\$ -
Net change in proportionate share of net pension liability	170,770	-
Difference between projected and actual earnings on pension plan investments	2,415,791	2,919,437
Difference between expected and actual experiences in the measurement of the total pension liability	840,639	-
Changes of assumptions	-	903,759
Total	<u>\$ 4,890,271</u>	<u>\$ 3,823,196</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (369,198)
2018	(369,198)
2019	(369,198)
2020	603,948
Total	<u>\$ (503,646)</u>

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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The EARSLS for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 37,121
2018	37,121
2019	33,408
Total	<u>\$ 107,650</u>

Actuarial Methods and Assumptions

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

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

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 23,940,061
Current discount rate (7.65%)	\$ 14,708,961
1% increase (8.65%)	\$ 7,032,686

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,985,009 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is not currently a party to any legal proceedings.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern Orange County Self-Funded Workers' Compensation Agency (NOCSFWCA), and the Northern Orange County Liability and Property Self-Insurance Authority (NOCLPSIA). The District pays an annual premium to each entity for its workers' compensation and property liability coverage. The relationships between the District and the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2016, the District made payments of \$272,748 and \$829,919 to NOCSFWCA and NOCLFSIA, respectively, for its workers' compensation and property liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 73,861,578	\$ 74,135,204	\$ 73,881,169	\$ (254,035)
Federal sources	2,170,730	5,835,101	6,025,812	190,711
Other State sources	7,881,528	13,938,723	17,175,597	3,236,874
Other local sources	664,471	2,279,159	2,874,881	595,722
Total Revenues ¹	<u>84,578,307</u>	<u>96,188,187</u>	<u>99,957,459</u>	<u>3,769,272</u>
EXPENDITURES				
Current				
Certificated salaries	45,510,781	48,112,093	47,721,481	390,612
Classified salaries	12,802,905	13,569,200	13,677,427	(108,227)
Employee benefits	15,181,642	14,555,362	17,087,846	(2,532,484)
Books and supplies	3,440,832	5,126,410	4,127,417	998,993
Services and operating expenditures	10,767,487	9,536,842	8,444,598	1,092,244
Capital outlay	1,275,952	2,598,227	2,249,155	349,072
Other outgo	1,648,909	2,261,969	1,674,567	587,402
Debt service				
Principal	21,572	21,636	17,392	4,244
Interest	4,922	6,585	5,643	942
Total Expenditures ¹	<u>90,655,002</u>	<u>95,788,324</u>	<u>95,005,526</u>	<u>782,798</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,076,695)</u>	<u>399,863</u>	<u>4,951,933</u>	<u>4,552,070</u>
Other Financing Sources (Uses)				
Transfers in	550,000	568,375	3,336,346	2,767,971
Transfers out	(2,241,505)	(3,241,505)	(1,750,000)	1,491,505
Net Financing Sources (Uses)	<u>(1,691,505)</u>	<u>(2,673,130)</u>	<u>1,586,346</u>	<u>4,259,476</u>
NET CHANGE IN FUND BALANCE	<u>(7,768,200)</u>	<u>(2,273,267)</u>	<u>6,538,279</u>	<u>8,811,546</u>
Fund Balance - Beginning	<u>43,329,129</u>	<u>43,329,129</u>	<u>43,329,129</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 35,560,929</u>	<u>\$ 41,055,862</u>	<u>\$ 49,867,408</u>	<u>\$ 8,811,546</u>

¹ On behalf payments of \$2,997,117 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 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Other Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budget.

See accompanying note to required supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	\$ -	\$ 7,423,259	\$ 7,423,259	0%	\$ 43,799,881	18%
December 1, 2012	-	10,154,586	10,154,586	0%	48,764,192	21%
December 1, 2014	-	11,700,997	11,700,997	0%	55,655,608	21%

See accompanying note to required supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0946%	0.0929%
District's proportionate share of the net pension liability	\$ 63,677,660	\$ 54,275,724
State's proportionate share of the net pension liability associated with the District	33,678,462	32,774,025
Total	<u>\$ 97,356,122</u>	<u>\$ 87,049,749</u>
District's covered - employee payroll	<u>\$ 43,021,869</u>	<u>\$ 41,368,582</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>148.01%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0998%</u>	<u>0.0983%</u>
District's proportionate share of the net pension liability	<u>\$ 14,708,962</u>	<u>\$ 11,157,529</u>
District's covered - employee payroll	<u>\$ 11,063,025</u>	<u>\$ 10,319,082</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>1.329560586</u>	<u>1.081252074</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	2016	2015
CalSTRS		
Contractually required contribution	\$ 4,978,957	\$ 3,820,342
Contributions in relation to the contractually required contribution	<u>(4,978,957)</u>	<u>(3,820,342)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 46,402,209</u>	<u>\$ 43,021,869</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 1,463,071	\$ 1,302,118
Contributions in relation to the contractually required contribution	<u>(1,463,071)</u>	<u>(1,302,118)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 12,349,717</u>	<u>\$ 11,063,025</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number
U.S. DEPARTMENT OF EDUCATION		
Passed through California Department of Education (CDE):		
Federal Impact Aid (ESEA, Ttitle VIII)	84.041	10015
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894
No Child Left Behind Act (NCLB):		
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.010	14329
Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	84.330B	14831
Title III - Limited English Proficient (LEP) Student Program	84.367	14341
Title III - Limited English Proficient (LEP) Student Program	84.365	14346
Passed through Greater Anaheim Special Education Local Plan Area: Individuals with Disabilities Education Act (IDEA):		
Special Education (IDEA) Cluster:		
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468
Total Special Education (IDEA) Cluster		
Total U.S. Department of Education		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through CDE:		
Medi-Cal Billing Option	93.778	10013
Medical Administrative Activities Program	93.778	10060
Total Medicaid Cluster		
U.S. DEPARTMENT OF AGRICULTURE		
Passed through CDE:		
Child Nutrition Cluster:		
National School Lunch Program	10.555	13524
Food Distribution	10.555	13524
Total Child Nutrition Cluster		
Total Federal Programs		

See accompanying note to supplementary information.

<u>Program Expenditures</u>	<u>Amount Passed Through to Subrecipients</u>
\$ 3,708,043	\$ -
29,853	-
304,549	-
6,683	-
142,850	3,500
21,554	-
1,420,674	-
51,077	-
98,074	-
111,501	-
<u>1,681,326</u>	<u>-</u>
<u>5,894,858</u>	<u>3,500</u>
70,086	-
19,712	-
<u>89,798</u>	<u>-</u>
598,196	-
142,564	-
<u>740,760</u>	<u>-</u>
<u>\$ 6,725,416</u>	<u>\$ 3,500</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

**SUMMARY OF CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHOOL READINESS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Early Learning Specialist and School Readiness Nurse Contract No. FCI-SD2-14 07/01/15- 06/30/16</u>
REVENUES	
State categorical aid	<u>\$ 153,731</u>
EXPENDITURES	
Staff salaries and benefits	\$ 133,323
Other direct project expenses	1,287
Indirect/administrative overhead	19,121
	<u>\$ 153,731</u>

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Los Alamitos Unified School District was established July 1, 1980, and consists of an area comprising approximately 23 square miles. The District operates six elementary schools, two middle schools, one high school, and one continuation school.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>DATE ELECTED OR APPOINTED</u>	<u>TERM EXPIRES</u>
Mrs. Karen Russell	President	November 2004	November 2020
Mrs. Megan Cutuli	Clerk	November 2000	November 2020
Dr. Jeffrey Barke, M.D.	Member	November 2006	November 2018
Mr. David Boyer	Member	November 2004	November 2020
Mrs. Diana Hill	Member	November 2010	November 2018

ADMINISTRATION

Sherry Kropp, Ed.D.	Superintendent
Patricia L. Meyer	Deputy Superintendent
Andrew Pulver, Ed.D.	Assistant Superintendent, Human Resources, and Director of Classified Personnel
Ondrea Reed, M.Ed.	Assistant Superintendent, Educational Services
Elvia Galicia	Director, Fiscal Services
John Eclevia	Director, Facilities, Maintenance, Operations, and Transportation
John Spiratos	Director, Information Technology
Michael Keller, Ed.D	Director, Special Education
Christopher Vlasic	Director of Education Services
Melissa Miller	Director of Safety and Student Services
Celeste Calubaquib	Director of Food Services

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,705.37	2,710.30
Fourth through sixth	2,142.83	2,146.78
Seventh and eighth	1,551.86	1,553.32
Ninth through twelfth	3,226.77	3,217.79
Total Regular ADA	<u>9,626.83</u>	<u>9,628.19</u>
Extended Year Special Education		
Transitional kindergarten through third	6.55	6.55
Fourth through sixth	2.61	2.61
Seventh and eighth	1.11	1.11
Ninth through twelfth	5.15	5.15
Total Extended Year Special Education	<u>15.42</u>	<u>15.42</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.00	1.44
Fourth through sixth	2.73	2.77
Seventh and eighth	1.02	1.27
Ninth through twelfth	6.04	5.87
Total Special Education, Nonpublic, Nonsectarian Schools	<u>10.79</u>	<u>11.35</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.21	0.21
Seventh and eighth	0.21	0.21
Ninth through twelfth	1.08	1.08
Total Extended Year	<u>1.50</u>	<u>1.50</u>
Total ADA	<u><u>9,654.54</u></u>	<u><u>9,656.46</u></u>

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	47,850	180	N/A	In Compliance
Grades 1 - 3	50,400				
Grade 1		53,400	180	N/A	In Compliance
Grade 2		53,400	180	N/A	In Compliance
Grade 3		54,240	180	N/A	In Compliance
Grades 4 - 6	54,000				
Grade 4		54,240	180	N/A	In Compliance
Grade 5		54,240	180	N/A	In Compliance
Grade 6		59,425	180	N/A	In Compliance
Grades 7 - 8	54,000				
Grade 7		59,425	180	N/A	In Compliance
Grade 8		59,425	180	N/A	In Compliance
Grades 9 - 12	64,800				
Grade 9		64,813	180	N/A	In Compliance
Grade 10		64,813	180	N/A	In Compliance
Grade 11		64,813	180	N/A	In Compliance
Grade 12		64,813	180	N/A	In Compliance

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND ⁴				
Revenues	\$ 94,057,303	\$ 99,957,459	\$ 86,295,074	\$ 81,247,851
Other sources and transfers in	1,018,375	3,336,346	-	550,000
Total Revenues and Other Sources	95,075,678	103,293,805	86,295,074	81,797,851
Expenditures	96,800,237	95,005,526	87,080,498	83,961,936
Other uses and transfers out	3,241,505	1,750,000	2,700,000	1,644,696
Total Expenditures and Other Uses	100,041,742	96,755,526	89,780,498	85,606,632
INCREASE (DECREASE) IN FUND BALANCE	\$ (4,966,064)	\$ 6,538,279	\$ (3,485,424)	\$ (3,808,781)
ENDING FUND BALANCE	\$ 44,901,344	\$ 49,867,408	\$ 43,329,129	\$ 46,814,553
AVAILABLE RESERVES ²	\$ 6,002,505	\$ 5,894,822	\$ 29,672,896	\$ 32,616,762
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	6.00%	6.09%	33.05%	38.10%
LONG-TERM OBLIGATIONS	N/A	\$ 172,704,750	\$ 166,669,442	\$ 164,337,925
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,609	9,671	9,678	9,641

The General Fund balance has increased by \$3,052,855 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$4,966,064 (9.96 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$8,366,825 over the past two years.

Average daily attendance has increased by 30 over the past two years. A decline of 62 ADA is anticipated during fiscal year 2016-2017.

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

² Available reserves consist of all funds reserved for economic uncertainties contained within the General Fund.

³ On behalf payments of \$2,997,117, \$2,161,615, and \$1,990,780, have been included in the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014, respectively.

⁴ General Fund amounts do include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Other Postemployment Benefits, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 7,899,628	\$ 713,467	\$ 4,012,453
Receivables	88,526	120,073	2,504
Due from other funds	292	18	-
Stores inventories	-	15,200	-
Total Assets	\$ 7,988,446	\$ 848,758	\$ 4,014,957
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 402,020	\$ 183,342	\$ 133,838
Due to other funds	181,519	127,394	-
Unearned revenue	262,327	133,899	-
Total Liabilities	845,866	444,635	133,838
Fund Balances:			
Nonspendable	-	17,200	-
Restricted	-	386,923	-
Committed	-	-	3,881,119
Assigned	7,142,580	-	-
Unassigned	-	-	-
Total Fund Balances	7,142,580	404,123	3,881,119
Total Liabilities and Fund Balances	\$ 7,988,446	\$ 848,758	\$ 4,014,957

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Non-Major Governmental Funds
\$ 291,414	\$ 5,236,842	\$ 2,658,738	\$ 20,812,542
177	4,490	-	215,770
-	88	-	398
-	-	-	15,200
<u>\$ 291,591</u>	<u>\$ 5,241,420</u>	<u>\$ 2,658,738</u>	<u>\$ 21,043,910</u>

\$ 5	\$ 96	\$ -	\$ 719,301
-	-	-	308,913
-	-	-	396,226
<u>5</u>	<u>96</u>	<u>-</u>	<u>1,424,440</u>

-	-	-	\$ 17,200
-	-	-	386,923
-	-	-	3,881,119
291,586	5,241,324	-	12,675,490
-	-	2,658,738	2,658,738
<u>291,586</u>	<u>5,241,324</u>	<u>2,658,738</u>	<u>19,619,470</u>
<u>\$ 291,591</u>	<u>\$ 5,241,420</u>	<u>\$ 2,658,738</u>	<u>\$ 21,043,910</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 740,760	\$ -
Other State sources	147,315	34,949	-
Other local sources	4,694,688	1,378,910	16,068
Total Revenues	4,842,003	2,154,619	16,068
EXPENDITURES			
Current			
Instruction	977,482	-	-
Supervision of instruction	178,829	-	-
School site administration	33,487	-	-
Pupil services:			
Food services	95,274	2,097,604	-
All other pupil services	98,374	-	-
Administration:			
All other administration	96,866	99,403	-
Plant services	56,838	-	174,847
Facility acquisition and construction	-	-	586,073
Community services	1,885,633	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,422,783	2,197,007	760,920
Excess (Deficiency) of Revenues Over Expenditures	1,419,220	(42,388)	(744,852)
Other Financing Sources (Uses)			
Transfers in	-	-	1,750,000
Other sources	-	-	-
Transfers out	(550,000)	-	-
Other uses	-	-	-
Net Financing Sources (Uses)	(550,000)	-	1,750,000
NET CHANGE IN FUND BALANCES	869,220	(42,388)	1,005,148
Fund Balances - Beginning	6,273,360	446,511	2,875,971
Fund Balances - Ending	\$ 7,142,580	\$ 404,123	\$ 3,881,119

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	COP Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 740,760
-	-	-	-	182,264
17,565	2,881,199	131,901	2,665,907	11,786,238
<u>17,565</u>	<u>2,881,199</u>	<u>131,901</u>	<u>2,665,907</u>	<u>12,709,262</u>
-	-	-	-	977,482
-	-	-	-	178,829
-	-	-	-	33,487
-	-	-	-	2,192,878
-	-	-	-	98,374
-	-	-	-	196,269
-	133	3,833	-	235,651
7,691,353	-	774,270	-	9,051,696
-	-	-	-	1,885,633
-	1,513,547	-	-	1,513,547
-	1,192,565	-	850	1,193,415
<u>7,691,353</u>	<u>2,706,245</u>	<u>778,103</u>	<u>850</u>	<u>17,557,261</u>
<u>(7,673,788)</u>	<u>174,954</u>	<u>(646,202)</u>	<u>2,665,057</u>	<u>(4,847,999)</u>
-	-	-	-	1,750,000
-	-	-	2,599,082	2,599,082
-	-	-	-	(550,000)
-	-	-	(2,605,401)	(2,605,401)
-	-	-	(6,319)	1,193,681
<u>(7,673,788)</u>	<u>174,954</u>	<u>(646,202)</u>	<u>2,658,738</u>	<u>(3,654,318)</u>
<u>7,673,788</u>	<u>116,632</u>	<u>5,887,526</u>	<u>-</u>	<u>23,273,788</u>
<u>\$ -</u>	<u>\$ 291,586</u>	<u>\$ 5,241,324</u>	<u>\$ 2,658,738</u>	<u>\$ 19,619,470</u>

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the Medi-Cal Billing Option and Medical Administrative Program funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2016. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 6,766,572
Medi-Cal Billing Option	93.778	15,941
Medi-Cal Administrative Activities Program	93.778	(57,097)
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,725,416</u>

Summary of Children and Families Commission of Orange County

The schedule provides information required by the Children and Families Commission of Orange County relating to the School Readiness Nurse Expansion program and the Early Learning Specialist (Grant No. FCI-SD-14).

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.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Los Alamitos Unified School District
Los Alamitos, 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 Los Alamitos Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Los Alamitos Unified School District's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Los Alamitos Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016



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

Governing Board
Los Alamitos Unified School District
Los Alamitos, California

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Los Alamitos Unified School District
Los Alamitos, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion on Each of the Programs

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

Other Matters

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

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

The District does not operate an Independent Study Program; therefore, we did not perform any related procedures.

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 have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

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

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

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

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

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program/s which was/were qualified:	

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

None reported.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

None reported.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

None reported.

LOS ALAMITOS UNIFIED SCHOOL DISTRICT

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

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