

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” with respect to tax consequences relating to the Bonds.

ONTARIO-MONTCLAIR SCHOOL DISTRICT
(San Bernardino County, California)

#2016-2175

\$4,280,000

2016 General Obligation Refunding Bonds, Series A

\$18,770,000

#2016-2244

2016 General Obligation Refunding Bonds, Series B
(2019 Crossover Refunding)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.

The Ontario-Montclair School District (San Bernardino County, California) 2016 General Obligation Refunding Bonds, Series A (the “Series A Bonds”), are being issued by the Ontario-Montclair School District (the “District”) to (i) advance refund a portion of the District’s Election of 2002 General Obligation Bonds, Series C, and (ii) pay the costs of issuing the Series A Bonds.

The Ontario-Montclair School District (San Bernardino County, California) 2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”) are being issued by the District to (i) advance refund, on a crossover basis, the District’s outstanding Election of 2002 General Obligation Bonds, Series D-1, and (ii) pay the costs of issuance of the Series B Bonds.

The Series A Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of San Bernardino County (the “County Board”) is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

Prior to August 1, 2019 (the “Crossover Date”), Series B Bonds will be secured by and payable solely from proceeds of the Series B Bonds deposited into an escrow fund established therefor. From and after the Crossover Date, the Series B Bonds shall, without any further action on the part of the District, or the registered Owners or Beneficial Owners (as defined herein) of the Series B Bonds, constitute general obligations of the District payable solely from *ad valorem* property taxes. From and after such Crossover Date, the County Board will be empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B Bonds when due.

The Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds.

The Bonds will be dated as of their date of initial delivery and will be issued as current interest bonds, such that interest thereon will accrue from such date and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds are issuable as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



Payments of principal of and interest on the Bonds will be made by Wells Fargo Bank National Association, as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional redemption prior to maturity as further described herein.

MATURITY SCHEDULE

(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about August 11, 2016.

PiperJaffray

MATURITY SCHEDULE

Base CUSIP⁽¹⁾: 683119

#2016-2175

\$4,280,000

ONTARIO-MONTCLAIR SCHOOL DISTRICT
(San Bernardino County, California)
2016 General Obligation Refunding Bonds, Series A

\$4,280,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP⁽¹⁾ Suffix
2018	\$280,000	3.000%	0.790%	DV0
2019	310,000	4.000	0.890	DW8
2020	340,000	3.000	0.990	DX6
2021	365,000	3.000	1.120	DY4
2022	400,000	3.000	1.300	DZ1
2023	435,000	3.000	1.420	EA5
2024	470,000	3.000	1.510	EB3
2025	505,000	5.000	1.600	EC1
2026	560,000	5.000	1.740	ED9
2027	615,000	4.000	1.930 ⁽²⁾	EE7

#2016-2244

\$18,770,000

ONTARIO-MONTCLAIR SCHOOL DISTRICT
(San Bernardino County, California)
2016 General Obligation Refunding Bonds, Series B
(2019 Crossover Refunding)

\$18,770,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP⁽¹⁾ Suffix
8/1/2020	\$565,000	5.000%	0.990%	EF4
8/1/2021	665,000	5.000	1.120	EG2
8/1/2022	175,000	5.000	1.300	EH0
8/1/2022	600,000	2.000	1.300	EQ0
8/1/2023	125,000	5.000	1.420	EJ6
8/1/2023	735,000	3.000	1.420	ES6
8/1/2024	325,000	5.000	1.510	EK3
8/1/2024	645,000	4.000	1.510	ET4
8/1/2031	4,015,000	4.000	2.370 ⁽²⁾	EL1
8/1/2032	1,500,000	4.000	2.420 ⁽²⁾	EM9
8/1/2032	1,305,000	2.500	2.820	ER8
8/1/2033	3,890,000	4.000	2.470 ⁽²⁾	EN7
8/1/2034	4,225,000	4.000	2.520 ⁽²⁾	EP2

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

⁽²⁾ Yield to call at par on August 1, 2026.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “THE BONDS – Bond Insurance” and “APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

ONTARIO-MONTCLAIR SCHOOL DISTRICT

Board of Trustees

Elvia M. Rivas, *President*
Alfonso Sanchez, *Vice President*
Maureen Mendoza, *Clerk*
Samuel Crowe, *Member*
Michael C. Flores, *Member*

District Administration

Dr. James Q. Hammond, *Superintendent*
Phil Hillman, *Chief Business Official*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Paying Agent and Escrow Agent

Wells Fargo Bank National Association
Los Angeles, California

Escrow Verification

Causey Demgen & Moore, P.C.
Denver, Colorado

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ONTARIO-MONTCLAIR SCHOOL DISTRICT
(San Bernardino County, California)

\$4,280,000
2016 General Obligation Refunding Bonds,
Series A

\$18,770,000
2016 General Obligation Refunding Bonds,
Series B
(2019 Crossover Refunding)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of (i) Ontario-Montclair School District (San Bernardino County, California) 2016 General Obligation Refunding Bonds, Series A (the “Series A Bonds”), and (ii) Ontario-Montclair School District (San Bernardino County, California) 2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding) (the “Series B Bonds” and collectively with the Series A Bonds, the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Ontario-Montclair School District (the “District”) was founded in 1884 and provides public K-8 education in a 26-square mile area of western San Bernardino County (the “County”). The District’s territory includes a large portion of the City of Ontario, a portion of the City of Montclair and small portions of the City of Upland and unincorporated areas of the County. The District currently operates 26 elementary schools, six middle schools and two alternative education schools. The District’s average daily attendance (“ADA”) is projected to 20,857 students in fiscal year 2016-17, and taxable property has a fiscal year 2015-16 assessed valuation of \$11,541,155,398.

The District is governed by a five-member Board of Trustees (the “District Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as supervision of the District’s other key personnel. Dr. James Q. Hammond currently serves as the District Superintendent.

See “ONTARIO-MONTCLAIR SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” for more information regarding the District generally and “DISTRICT TAX BASE” for information regarding the District’s assessed valuation. The District’s audited financial statements for the fiscal year ended June 30, 2015 are attached hereto as APPENDIX B and should be read in their entirety. The discussion of the District’s financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Bonds

The Series A Bonds are being issued to (i) advance refund a portion of the District's Election of 2002 General Obligation Bonds, Series C (the "2002 Series C Bonds"), and (ii) pay the costs of issuing the Series A Bonds. The Series B Bonds are being issued to (i) advance refund, on a crossover basis, the District's Election of 2002 General Obligation Bonds, Series D-1 (the "2002 Series D-1 Bonds," and together with the 2002 Series C Bonds, the "Prior Bonds"), and (ii) pay the costs of issuing the Series B Bonds. The portions of the Prior Bonds to be refunded with proceeds of the Bonds, as described herein, are referred to herein as the "Refunded Bonds." See also "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the District Board on June 2, 2016 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

Series A Bonds. The Series A Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County (the "County Board") is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

Series B Bonds. Prior to August 1, 2019 (the "Crossover Date"), the Series B Bonds will be secured by and payable solely from proceeds of the Series B Bonds deposited into an escrow fund established therefor. From and after the Crossover Date, the Series B Bonds shall, without further action on the part of the District or the Owners or Beneficial Owners thereof, constitute general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. From and after the Crossover Date, the County Board will be empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B Bonds when due.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiples thereof.

Redemption. The Bonds are subject to optional redemption prior to their stated maturity dates as further described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1 of each year (each, a “Bond Payment Date”), commencing February 1, 2017. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by Wells Fargo Bank National Association, as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS – Bonds” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about August 11, 2016.

Bond Owner’s Risks

The Series A Bonds, as well as the Series B Bonds from and after the Crossover Date, are and shall be, as applicable, general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, see “DISTRICT TAX BASE” herein. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds of the Series B Bonds deposited into an escrow fund established therefor. See “THE BONDS – Application and Investment of Bond Proceeds” herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman Rolapp & Associates, Irvine, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Fieldman Rolapp & Associates will receive compensation from the District contingent upon the sale and delivery of the Bonds. In addition to acting as Paying Agent, Wells Fargo Bank National Association will act as Escrow Agent (defined here) for the Refunded Bonds. Causey Demgen & Moore P.C., Denver, Colorado, will act as Verification Agent for the Refunded Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENTS OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Ontario-Montclair School District, 950 West D Street, Ontario, California 91762, telephone: (909) 459-2500. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the "Act"), and pursuant to the Resolution.

Security and Sources of Payment

Series A Bonds. The Series A Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

Series B Bonds. **Prior to the Crossover Date, Series B Bonds will be secured by and payable solely from proceeds of the Series B Bonds deposited into an escrow fund established therefor.** From and after the Crossover Date, the Series B Bonds shall, without further action on the part of the District, or the Owners or Beneficial Owners of the Series B Bonds, constitute general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. From and after such Crossover Date, the County Board will be empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series B Bonds when due.

General. *Ad valorem* property taxes levied to pay the Bonds will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest thereon when due, as described above. The levy *ad valorem* property taxes for payment of the Bonds may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for any of the Bonds, and the

District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (defined herein) established by the Resolution, each of which is required to be segregated and maintained by the County and which is designated for the payment of the respective series of Bonds to which such Debt Service Fund relates, and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective series of Bonds to which such fund relates. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, none of the Bonds are a debt of the County.

Pursuant to Section 53515 of the California Government Code, each series of the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The liens automatically attach, without further action or authorization by the District Board, and are valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the liens, and such liens will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Moneys in each Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series A Bonds as the same becomes due and payable, as well as on the Series B Bonds from and after the Crossover Date as the same becomes due and payable, will be transferred by the County to the Paying Agent. Prior to the Crossover Date, funds for the payment of the Series B Bonds will be remitted to the Paying Agent from the Escrow Subaccount (defined herein) established for the Series B Bonds. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "DISTRICT TAX BASE" herein.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 8, 2015, Moody’s published a credit opinion maintaining its existing insurance financial strength rating of “A2” (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody’s may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM.

At March 31, 2016, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,742 million and its net unearned premium reserve was approximately \$1,530 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary

Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “THE BONDS – Bond Insurance – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “THE BONDS – Bond Insurance.”

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See “—Book-Entry Only System” herein. Beneficial Owners will not receive certificates representing their interest in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each Bond Payment Date, commencing February 1, 2017. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2017, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by check mailed to such Bond Owner on the Bond Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the Record Date. The Bond Owner in an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Bond Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The interest, principal and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

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Annual Debt Service

The following table shows the annual debt service requirements of the District for Bonds, together with the aggregate annual debt service requirements of the District's prior bonded indebtedness (assuming no further optional redemptions).

Year Ending Aug. 1	Prior Outstanding Bonds ⁽¹⁾⁽²⁾	<u>Series A Bonds</u>		<u>Series B Bonds</u>		Total Debt Service
		<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u>	
2016	\$2,933,376.50	--	--	--	--	\$2,933,376.50
2017	3,104,626.50	--	\$154,534.72	--	\$710,135.42	3,969,296.64
2018	2,975,001.50	\$280,000.00	158,950.00	--	730,425.00	4,144,376.50
2019	3,140,001.50	310,000.00	150,550.00	--	730,425.00	4,330,976.50
2020	3,310,001.50	340,000.00	138,150.00	\$565,000.00	730,425.00	5,083,576.50
2021	3,484,447.50	365,000.00	127,950.00	665,000.00	702,175.00	5,344,572.50
2022	3,662,057.50	400,000.00	117,000.00	775,000.00	668,925.00	5,622,982.50
2023	3,842,225.00	435,000.00	105,000.00	860,000.00	648,175.00	5,890,400.00
2024	4,034,321.00	470,000.00	91,950.00	970,000.00	619,875.00	6,186,146.00
2025	4,237,855.00	505,000.00	77,850.00	--	577,825.00	5,398,530.00
2026	4,467,855.00	560,000.00	52,600.00	--	577,825.00	5,658,280.00
2027	4,707,855.00	615,000.00	24,600.00	--	577,825.00	5,925,280.00
2028	4,367,855.00	--	--	--	577,825.00	4,945,680.00
2029	4,547,855.00	--	--	--	577,825.00	5,125,680.00
2030	4,697,855.00	--	--	--	577,825.00	5,275,680.00
2031	6,527,855.00	--	--	4,015,000.00	577,825.00	11,120,680.00
2032	5,098,064.26	--	--	2,805,000.00	417,225.00	8,320,289.26
2033	4,636,809.76	--	--	3,890,000.00	324,600.00	8,851,409.76
2034	<u>4,710,033.00</u>	--	--	<u>4,225,000.00</u>	<u>169,000.00</u>	<u>9,104,033.00</u>
Total	<u>\$78,485,950.52</u>	<u>\$4,280,000.00</u>	<u>\$1,199,134.72</u>	<u>\$18,770,000.00</u>	<u>\$10,496,160.42</u>	<u>\$113,231,245.66</u>

⁽¹⁾ Does not include debt service on the 2002 Series C Bonds expected to be refunded with proceeds of the Series A Bonds. See also "ONTARIO-MONTCLAIR SCHOOL DISTRICT – Long-Term Debt – General Obligation Bonds" herein.

⁽²⁾ Includes debt service on the 2002 Series D-1 Bonds. Prior to the Crossover Date, such bonds will continue to be an obligation of the District payable solely from *ad valorem* property taxes.

Application and Investment of Bond Proceeds

Use of Proceeds. The Series A Bonds are being issued to (i) advance refund portions of the 2002 Series C Bonds, and (ii) pay the costs of issuance of the Series A Bonds. The Series B Bonds are being issued to (i) advance refund, on a crossover basis, the 2002 Series D-1 Bonds, and (ii) pay the costs of issuing the Series B Bonds.

The following tables show information on the specific maturities of the Refunded Bonds to be refunded with proceeds of the Bonds.

REFUNDED BONDS Ontario-Montclair School District Election of 2002 General Obligation Bonds, Series C

<u>Maturity Date</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Principal to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Principal Amount)</u>
8/1/2018	683119CF6	\$305,000	\$305,000	8/1/2017	100
8/1/2019	683119CG4	335,000	335,000	8/1/2017	100
8/1/2020	683119CH2	370,000	370,000	8/1/2017	100
8/1/2021	683119CJ8	400,000	400,000	8/1/2017	100
8/1/2022	683119CK5	440,000	440,000	8/1/2017	100
8/1/2023	683119CL3	480,000	480,000	8/1/2017	100
8/1/2024	683119CM1	520,000	520,000	8/1/2017	100
8/1/2025	683119CN9	565,000	565,000	8/1/2017	100
8/1/2026	683119CP4	615,000	615,000	8/1/2017	100
8/1/2027	683119CQ2	670,000	670,000	8/1/2017	100

REFUNDED BONDS Ontario-Montclair School District Election of 2002 General Obligation Bonds, Series D-1

<u>Maturity Date</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Principal to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Principal Amount)</u>
8/1/2020	683119DP3	\$580,000	\$580,000	8/1/2019	100
8/1/2021	683119DQ1	675,000	675,000	8/1/2019	100
8/1/2022	683119DR9	775,000	775,000	8/1/2019	100
8/1/2023	683119DS7	880,000	880,000	8/1/2019	100
8/1/2024	683119DT5	995,000	995,000	8/1/2019	100
8/1/2034	683119DU2	15,300,000	15,300,000	8/1/2019	100

Escrow Agreement. The net proceeds from the sale of the Bonds will be deposited with Wells Fargo Bank National Association, acting as Escrow Agent, to the credit of the “Ontario-Montclair School District 2016 General Obligation Refunding Bonds Escrow Fund” (the “Escrow Fund”). Within the Escrow Fund, the Escrow Agent shall establish and hold subaccounts (each, an “Escrow Subaccount”) relating to each of series of the Refunded Bonds. Funds on deposit in the Escrow Subaccount for the 2002 Series C Bonds are not available to pay the Series B Bonds or the 2002 Series D-1 Bonds. Funds on deposit in the Escrow Subaccount for the 2002 Series D-1 Bonds are not available to pay the 2002 Series C Bonds.

Pursuant to the Escrow Agreement, amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the “Federal Securities”), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay (i) the redemption price of each series of Refunded Bonds on the first respective optional redemption dates therefor, as described above, (ii) interest on the refunded 2002 Series C Bonds through the first optional redemption date therefor, and (iii) prior to the Crossover Date, the principal of and interest on the Series B Bonds, as the same shall become due and payable. **Prior to the Crossover Date, the 2002 Series D-1 Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes.**

Crossover Refunding Escrowed Securities. The following chart describes the initial investments of the proceeds of the Bonds on deposit in the Escrow Subaccount established for the 2002 Series D-1 Bonds.

ESCROW SUBACCOUNT – 2002 SERIES D-1 BONDS
Federal Securities

Type of Security	Par Amount	Maturity Date	Yield
U.S. Treasury Bond	\$182,000	1/31/2017	0.399%
U.S. Treasury Bond	203,000	7/31/2017	0.590
U.S. Treasury Bond	204,000	1/31/2018	0.682
U.S. Treasury Bond	204,000	7/31/2018	0.707
U.S. Treasury Bond	206,000	1/31/2019	0.766
U.S. Treasury Bond	19,412,000	7/31/2019	0.829

Verification. The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the interest on the Refunded Bonds and the Bonds prior to the Crossover Date, and the redemption price of the respective series of Refunded Bonds, each as described above, will be verified by Causey Demgen & Moore, P.C. (the “Verification Agent”). As a result of the deposit and application of funds of the Bonds as provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the 2002 Series C Bonds identified above will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of such bonds will terminate. Prior to the Crossover Date, the 2002 Series D-1 Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes, and will not be considered defeased. See also “LEGAL MATTERS – Escrow Verification” herein.

Debt Service Funds. Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds shall be transferred to and accounted for in the respective debt service funds relating to each series of the Bonds (each, a “Debt Service Fund”) established by the Resolution, and used by the District only for payment of principal of and interest on the respective series of Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the respective Debt Service Funds and applied to the payment of principal of and interest on the related series of Bonds. If, after payment in full of the Bonds, there remain any such

excess proceeds, such amounts shall be transferred to the general fund of the District. Moneys in the Debt Service Funds are expected to be invested through the County's pooled investment fund. See "APPENDIX E - SAN BERNARDINO COUNTY TREASURY POOL" herein.

Redemption

Optional Redemption. The Series A Bonds maturing on and before August 1, 2026 are not subject to redemption prior to their stated maturity dates. The Series A Bonds maturing on and after August 1, 2027 may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2026 or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Series B Bonds maturing on and before August 1, 2024 are not subject to redemption prior to their stated maturity dates. The Series B Bonds maturing on and after August 1, 2031 may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2026 or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent, shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard

and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance," the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance," and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance," such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date

fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules

applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying

Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Owners thereof.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations

requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of each series of the Bonds may be defeased at any time prior to maturity in the following ways:

- (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the respective Debt Service Fund, if required, is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal thereof, interest thereon and redemption premium, if any, at or before their maturity dates;
- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with monies transferred from the respective Debt Service Fund together with any other cash, if required, in such amount as will, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance, including all principal thereof, interest thereon and redemption premium, if any, at or before their maturity dates;

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct general obligations of the United States of America by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) or Moody’s Investors Service (“Moody’s”).

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Sources of Funds			
Principal Amount of Bonds	\$4,280,000.00	\$18,770,000.00	\$23,050,000.00
Net Original Issue Premium/Discount	<u>661,183.85</u>	<u>2,390,229.95</u>	<u>3,051,413.80</u>
Total Sources	<u>\$4,941,183.85</u>	<u>\$21,160,229.95</u>	<u>\$26,101,413.80</u>
Uses of Funds			
Costs of Issuance ⁽¹⁾	\$65,982.00	\$279,244.19	\$345,226.19
Deposit to Escrow Fund	<u>4,875,201.85</u>	<u>20,880,985.76</u>	<u>25,756,187.61</u>
Total Uses	<u>\$4,941,183.85</u>	<u>\$21,160,229.95</u>	<u>\$26,101,413.80</u>

⁽¹⁾ Reflects all costs of issuance, including but not limited to the underwriting discount, credit rating fees, printing costs, legal and financial advisory fees, bond insurance premium, and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent. See also "MISCELLANEOUS – Underwriting" herein.

DISTRICT TAX BASE

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Prior to the Crossover Date, the Series B Bonds will be secured by and payable solely from proceeds of the Series B Bonds deposited into the Escrow Fund established therefor. The Series A Bonds, as well as the Series B Bonds from and after the Crossover Date, will be payable solely from ad valorem property taxes. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for both the District and the County's taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a minimum 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment, plus any additional amount determined by the County Treasurer (the "Treasurer"). Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year.

Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Information regarding District-level tax delinquencies is not currently available. See also "—Alternative Method of Tax Apportionment – Teeter Plan" herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization (“SBE”). Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. The table on the following page shows an 10-year history of assessed valuations of the District.

ASSESSED VALUATION Fiscal Years 2006-07 through 2015-16 Ontario-Montclair School District

<u>Fiscal Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Annual % Change</u>
2006-07	\$9,430,703,893	--
2007-08	10,630,093,777	12.72%
2008-09	11,022,673,471	3.69
2009-10	10,459,834,996	(5.10)
2010-11	10,184,318,802	(2.63)
2011-12	10,226,587,256	0.42
2012-13	10,291,171,548	0.63
2013-14	10,602,432,859	3.02
2014-15	11,080,612,519	4.51
2015-16	11,541,155,398	4.16

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

Drought. On January 17, 2014, the State Governor (the “Governor”) declared a state-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; the State’s rivers and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016. On May 5, 2015, the Water Board adopted an emergency

regulation to implement the Governor's April 1, 2015 executive order, the provisions of which went into effect on May 18, 2015. On November 13, 2015, the Governor issued an executive order directing the Water Board to extend the emergency water conservation regulation should the drought conditions persist through January 2016. Following the Governor's executive order, and a result of the State's continuing severe drought, on February 2, 2016, the Water Board adopted a revised emergency regulation to extend water conservation mandates through the end of October 2016.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution" herein.

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2015-16 assessed valuation.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾

Fiscal Year 2015-16

Ontario-Montclair School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Montclair	\$2,823,592,543	24.47%	\$2,826,590,834	99.89%
City of Ontario	8,115,843,845	70.32	20,910,674,024	38.81
City of Upland	271,678,689	2.35	8,067,152,634	3.37
Unincorporated San Bernardino County	<u>330,040,321</u>	<u>2.86</u>	29,741,507,246	1.11
Total District	\$11,541,155,398	100.00%		
San Bernardino County	\$11,541,155,398	100.00%	\$187,672,223,596	6.15%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows a per-parcel analysis of single family residential homes within the District, in terms of their fiscal year 2015-16 assessed valuation.

PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES

Fiscal Year 2015-16

Ontario-Montclair School District

	<u>No. of Parcels</u>	<u>2015-16 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	25,728	\$5,299,094,324	\$205,966	\$198,101

<u>2015-16 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	132	0.513%	0.513%	\$2,424,852	0.046%	0.046%
25,000 - 49,999	1,657	6.440	6.954	67,167,778	1.268	1.313
50,000 - 74,999	1,283	4.987	11.940	77,385,631	1.460	2.774
75,000 - 99,999	854	3.319	15.260	75,248,246	1.420	4.194
100,000 - 124,999	1,297	5.041	20.301	147,742,577	2.788	6.982
125,000 - 149,999	2,084	8.100	28.401	288,102,243	5.437	12.419
150,000 - 174,999	2,878	11.186	39.587	468,221,450	8.836	21.254
175,000 - 199,999	2,929	11.384	50.972	548,305,420	10.347	31.602
200,000 - 224,999	2,483	9.651	60.623	526,934,168	9.944	41.545
225,000 - 249,999	2,198	8.543	69.166	520,723,680	9.827	51.372
250,000 - 274,999	1,767	6.868	76.034	462,462,177	8.727	60.099
275,000 - 299,999	1,572	6.110	82.144	450,404,902	8.500	68.599
300,000 - 324,999	1,363	5.298	87.442	424,308,865	8.007	76.606
325,000 - 349,999	1,154	4.485	91.927	388,341,049	7.328	83.935
350,000 - 374,999	776	3.016	94.943	280,374,498	5.291	89.226
375,000 - 399,999	467	1.815	96.758	179,977,435	3.396	92.622
400,000 - 424,999	288	1.119	97.878	118,453,893	2.235	94.857
425,000 - 449,999	198	0.770	98.647	86,233,369	1.627	96.485
450,000 - 474,999	82	0.319	98.966	37,861,172	0.714	97.199
475,000 - 499,999	75	0.292	99.258	36,603,155	0.691	97.890
500,000 and greater	<u>191</u>	<u>0.742</u>	100.000	<u>111,817,764</u>	<u>2.110</u>	100.000
Total	25,728	100.000%		\$5,299,094,324	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Assessed Valuation and Parcels by Land Use. The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2015-16 secured assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2015-16
Ontario-Montclair School District

	2015-16	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u>⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural	\$3,456,911	0.03%	17	0.04%
Commercial/Office	1,399,904,736	13.22	1,344	3.39
Industrial	1,483,794,178	14.01	1,249	3.15
Recreational	24,452,844	0.23	16	0.04
Government/Social/Institutional	21,338,109	0.20	127	0.32
Miscellaneous	<u>16,879,082</u>	<u>0.16</u>	<u>184</u>	<u>0.46</u>
Subtotal Non-Residential	\$2,949,825,860	27.85%	2,937	7.41%
<u>Residential:</u>				
Single Family Residence	\$5,299,094,324	50.03%	25,728	64.90%
Condominium/Townhouse	800,299,510	7.56	5,894	14.87
Mobile Home	41,649,110	0.39	366	0.92
Mobile Home Park	47,966,681	0.45	39	0.10
2-4 Residential Units	567,978,276	5.36	2,262	5.71
5+ Residential Units/Apartments	<u>711,144,311</u>	<u>6.71</u>	<u>495</u>	<u>1.25</u>
Subtotal Residential	\$7,468,132,212	70.51%	34,784	87.75%
Vacant Parcels	\$173,016,233	1.63%	1,920	4.84%
Total	\$10,590,974,305	100.00%	39,641	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the five-fiscal year period from 2011-12 to 2015-16:

SUMMARY OF AD VALOREM PROPERTY TAX RATES (TRA 4-000)
Fiscal Years 2011-12 through 2015-16
Ontario-Montclair School District

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Chaffey Community College District	.0153	.0111	.0157	.0109	.0113
Chaffey Joint Union High School District	.0194	.0101	.0371	.0294	.0409
Ontario-Montclair School District	.0289	.0274	.0294	.0260	.0268
Metropolitan Water District	<u>.0037</u>	<u>.0035</u>	<u>.0035</u>	<u>.0035</u>	<u>.0035</u>
	1.0673%	1.0521%	1.0857%	1.0698%	1.0825%

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The County Board has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency, or for which the County’s treasury is the legal depository of the tax collections.

If the Teeter Plan remains in effect during the term of the Bonds, the District will receive 100% of the *ad valorem* property tax levied in the County to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County. The District can give no assurance that the Teeter Plan will remain in effect in its present form, or in any form, during the term of the Bonds.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1 for the County), the County Board receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the County Board is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

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Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2015-16 secured assessed valuations:

20 LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2015-16 Ontario-Montclair School District

	<u>Property Owner</u>	<u>2015-16 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total⁽¹⁾</u>
1.	5060 Montclair Plaza Lane Owner LLC	Shopping Center	\$111,656,191	1.05%
2.	EJC Ontario Gateway West LLC	Industrial	73,764,769	0.70
3.	ML Casa III LP	Apartments	52,533,198	0.50
4.	1151 Mildred LLC	Industrial	47,142,857	0.45
5.	SRG Grove LLC	Apartments	46,458,293	0.44
6.	KTR IE Two LLC	Industrial	44,894,538	0.42
7.	Paseos at Montclair Property LLC	Apartments	38,997,561	0.37
8.	CG Ontario LP	Apartments	37,508,039	0.35
9.	Carson Estate Trust	Industrial	35,033,824	0.33
10.	Wal-Mart Stores Inc.	Shopping Center	34,088,216	0.32
11.	Ontario Two	Industrial	31,963,585	0.30
12.	KW PCCP Montclair LLC	Apartments	31,340,980	0.30
13.	Ontario Three LLC	Industrial	29,562,035	0.28
14.	Campus Avenue Apartments LLC	Apartments	26,845,474	0.25
15.	Mico Archibald Partners LLC	Industrial	26,640,557	0.25
16.	Celda Inc.	Shopping Center	26,557,314	0.25
17.	Colony Fee Owner LLC	Apartments	25,410,346	0.24
18.	Ontario Mountain Associates LP	Shopping Center	25,010,460	0.24
19.	Holt Blvd. LLC	Office Building	24,304,943	0.23
20.	Institutional Industrial Invr LLC	Industrial	<u>22,716,937</u>	<u>0.21</u>
			\$792,430,117	7.48%

⁽¹⁾ 2015-16 Local Secured Assessed Valuation: \$10,590,974,305.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. effective as of May 10, 2016. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT
Ontario-Montclair School District**

2015-16 Assessed Valuation: \$11,541,155,398

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/10/16</u>
Metropolitan Water District	0.471%	\$437,394
Chaffey Community College District	12.209	18,201,217
Chaffey Union High School District	22.783	70,605,942
Ontario-Montclair School District	100.000	<u>48,288,731</u>⁽¹⁾
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$137,533,284
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	6.150%	\$26,785,710
San Bernardino County Pension Obligation Bonds	6.150	25,791,306
San Bernardino County Flood Control District General Fund Obligations	6.150	4,807,148
Chaffey Community College District General Fund Obligations	12.209	1,361,995
City of Montclair General Fund Obligations	99.894	44,213,084
City of Ontario Certificates of Participation	38.812	26,836,557
City of Upland General Fund Obligations	3.368	8,420
West Valley Vector Control District Certificates of Participation	16.523	<u>502,299</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$130,306,519
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$50,687,979
COMBINED TOTAL DEBT		\$318,527,782⁽²⁾

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$48,288,731).....0.42%
 Total Overlapping Tax and Assessment Debt 1.19%
 Combined Total Debt 2.76%

Ratio to Successor Agency Redevelopment Incremental Valuation (\$2,204,684,241):

Total Overlapping Tax Increment Debt.....2.30%

⁽¹⁾ Excludes the Bonds, but includes the Refunded Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Series A Bonds, as well as the Series B Bonds from and after the Crossover Date, will be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein). Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “DISTRICT TAX BASE” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION” herein.

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

- (b) “change in population” with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for bonded debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the

governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID (respectively, "Article XIIC" and "Article XIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to

taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum

size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39 and 98 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. Prior to the Crossover Date, the Series B Bonds shall be secured by and payable solely from proceeds of the Series B Bonds deposited into the Escrow Fund established therefor. The Series A Bonds, as well as the Series B Bonds from and after the Crossover Date, shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans, as described below. See "—Local Control Funding Formula."

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are

intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget Measures” for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2012-13 through 2016-17.

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ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2016-17
Ontario-Montclair School District

Fiscal Year	Average Daily Attendance⁽¹⁾				Enrollment⁽²⁾	
	K-3	4-6	7-8	Total ADA	Total Enrollment	% of EL/LI Enrollment⁽³⁾
2012-13	9,828	7,008	4,570	22,133	22,735	N/A
2013-14	10,150	7,230	4,764	22,145	22,767	89.71
2014-15	9,915	7,288	4,609	21,813	22,521	89.08
2015-16	9,430	7,251	4,569	21,250	21,952	88.82
2016-17 ⁽⁴⁾	9,289	7,095	4,474	20,857	21,483	88.01

Note: ADA figures rounded to the nearest whole number.

(1) Except for fiscal year 2016-17, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

(2) Enrollment for fiscal year 2012-13 is reported as of the October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and onward reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) Projected.

Source: Ontario-Montclair School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their

primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as basic aid.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other Revenue Sources

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620. Developer fee revenue is required by statute to be expended on the construction or reconstruction of school facilities necessary to accommodate growths in student enrollment. The table on the following page summarizes the revenues received by the District from developer fees since fiscal year 2011-12.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2011-12 through 2016-17
Ontario-Montclair School District

<u>Fiscal Year</u>	<u>Total Collections</u>
2011-12	1,507,965
2012-13	117,891
2013-14	238,901
2014-15	1,519,760
2015-16 ⁽¹⁾	1,273,868
2016-17 ⁽²⁾	450,853

⁽¹⁾ Projected.

⁽²⁾ Budgeted.

Source: Ontario-Montclair School District.

Tax Increment Revenue; State Dissolution of Redevelopment Agencies

The District previously entered into agreements with a number of redevelopment agencies formed pursuant the California Community Redevelopment Law (California Health and Safety Code Sections 33000 *et seq.*) (collectively, the “Redevelopment Agencies”), pursuant to which the District has historically received “pass-through” tax increment revenues. The District currently continues to receive tax increment revenues from the Successor Agency (as defined herein) to each Redevelopment Agency. A portion of the tax increment revenues received by the District are accounted for in a special revenue fund (Fund 40 – Special Reserve for Capital Outlay), and do not count towards the District’s share of local property taxes for purposes of calculating the State-paid portion of its LCFF allocation.

The following table shows tax increment revenue received by the District and accounted for in Fund 40, for the five year period between 2011-12 through 2016-17.

TAX INCREMENT REVENUE COLLECTIONS (FUND 40)

**Ontario-Montclair School District
Fiscal Years 2011-12 through 2016-17**

<u>Fiscal Year</u>	<u>Tax Increment Revenue Received</u>
2011-12	\$875,859
2012-13	477,258
2013-14	751,102
2014-15	699,345
2015-16 ⁽¹⁾	766,320
2016-17 ⁽²⁾	42,961

⁽¹⁾ Estimated.

⁽²⁾ Budgeted.

Source: Ontario-Montclair School District.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to

the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABx1 26 using current assessed values and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its State apportionments may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The District’s expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District’s accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and

expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2015, and prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business Official, 950 West D Street, Ontario, California 91762, telephone: (909) 459-2500. The audited financial statements for the year ended June 30, 2015, are included in APPENDIX B hereto.

The table below reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2010-11 to fiscal year 2014-15.

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AUDITED GENERAL FUND REVENUE, EXPENDITURES AND FUND BALANCES
Fiscal Years 2010-11 through 2014-15
Ontario-Montclair School District

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
REVENUES:					
Revenue Limit/LCFF Revenue	\$111,416,667	\$111,159,014	\$112,156,004	\$148,002,625	\$171,354,387
Federal Revenue	29,885,311	23,482,547	17,352,641	14,936,264	14,769,153
Other State Revenue	43,397,921	44,648,258	44,791,476	24,536,250	24,104,893
Other Local Revenue	<u>13,695,669</u>	<u>16,340,991</u>	<u>14,044,918</u>	<u>17,537,612</u>	<u>14,705,692</u>
Total Revenues	198,395,568	195,630,810	188,345,039	205,012,751	224,934,125
EXPENDITURES:					
Current					
Instruction	128,616,898	128,099,059	130,881,299	140,187,354	157,312,488
Instruction Related Activities:					
Supervision of Instruction	4,423,543	4,219,974	4,342,611	4,762,840	5,265,070
Instructional Library, Media, Technology	438,053	472,959	580,137	650,315	830,447
School Site Administration	16,275,613	17,740,776	16,470,527	16,673,322	17,801,874
Pupil Services:					
Home-to-School Transportation	2,673,717	2,705,108	2,753,807	4,715,880	3,317,286
Food Services	50,213	43,994	198	149	18,105
All Other Pupil Services	8,282,429	8,997,799	9,390,416	10,456,843	12,359,050
General Administration:					
Data Processing	2,411,424	2,417,471	2,568,412	3,470,778	4,302,046
All Other General Administration	6,338,345	6,448,571	6,312,493	6,532,190	7,444,154
Plant Services	16,005,035	15,180,309	15,289,118	16,501,169	18,394,941
Facility Acquisition & Construction	454,962	216,656	93,788	413,079	279,027
Ancillary Services	--	38,141	50,685	210,808	620,826
Community Service	--	--	--	181	--
Other Outgo	489,436	382,425	406,875	906,537	436,167
Enterprise Services	--	--	289	--	10
Debt Service:					
Principal	94,856	--	--	--	--
Interest & Other	<u>4,203</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	186,588,458	186,963,242	189,140,655	205,481,445	228,375,491
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,801,110	8,664,568	(795,616)	(468,694)	(3,441,366)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	--	4,600,000	--	1,446,790	71,242
Operating Transfers Out	<u>(875,664)</u>	<u>(2,863,007)</u>	<u>(4,322,034)</u>	<u>(7,794,720)</u>	<u>(3,386,196)</u>
Total Other Sources & Uses	(875,664)	1,736,993	(4,322,034)	(6,437,930)	(3,314,954)
TOTAL CHANGE IN FUND BALANCE	10,931,446	10,404,561	(5,117,650)	(6,816,624)	(6,756,320)
FUND BALANCE – JULY 1	60,841,461	80,459,622	90,864,183	85,746,533	78,929,909
Prior Period Adjustment	<u>8,586,715⁽¹⁾</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE – JULY 30	<u>\$80,459,622</u>	<u>\$90,864,183</u>	<u>\$85,746,533</u>	<u>\$78,929,909</u>	<u>\$72,173,589</u>

⁽¹⁾ Reflects a restatement to the District's beginning fund balance as a result of the implementation of GASB Statement No. 54. For financial reporting purposes, the District's Fund 17 (Special Reserve for Other than Capital Outlay) and Fund 20 (Special Reserve for Postemployment Benefits) are presented as part of the District's general fund.

Source: Ontario-Montclair School District

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the

remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Within the past five years, the District has designated, and the County superintendent of schools has accepted, all interim financial reports submitted by it as positive.

Budgeting Trends. The table on the following page sets forth the District's general fund adopted budgets for fiscal years 2012-13 through 2016-17, ending results for fiscal years 2012-13 through 2014-15, and estimated results for fiscal year 2015-16.

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GENERAL FUND BUDGETING
Fiscal Years 2012-13 through 2016-17
Ontario-Montclair School District

	Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17
	<u>Budget</u>⁽¹⁾	<u>Actual</u>⁽¹⁾	<u>Budget</u>⁽¹⁾	<u>Actual</u>⁽¹⁾	<u>Budget</u>⁽¹⁾	<u>Actual</u>⁽¹⁾	<u>Budget</u>⁽²⁾	<u>Estimated</u>⁽³⁾	<u>Budgeted</u>⁽³⁾
REVENUES									
Revenue Limit/LCFF Sources	\$101,935,825	\$112,156,004	\$112,671,177	\$148,002,625	\$168,548,811	\$171,354,387	\$196,947,239	\$197,961,409	\$207,187,658
Federal Sources	16,498,591	17,352,641	13,938,370	14,936,264	13,569,269	14,769,153	13,672,004	13,623,775	13,275,494
Other State Sources	38,723,615	44,791,476	39,461,025	24,536,250	14,112,716	24,104,893	21,717,090	24,030,958	13,964,957
Other Local Sources	<u>12,335,153</u>	<u>14,044,918</u>	<u>13,011,126</u>	<u>17,537,612</u>	<u>13,420,675</u>	<u>14,705,692</u>	<u>12,875,007</u>	<u>13,249,206</u>	<u>12,085,837</u>
TOTAL REVENUES	169,493,184	188,345,039	179,081,698	205,012,751	209,651,471	224,934,125	245,211,340	248,865,348	246,513,946
EXPENDITURES									
Certificated Salaries	97,425,435	98,141,330	99,613,469	103,552,238	109,179,325	113,372,678	111,936,782	113,648,691	113,282,525
Classified Salaries	26,388,709	26,389,246	26,458,031	28,181,099	29,756,397	32,779,223	33,005,472	34,488,701	37,146,490
Employee Benefits	35,629,971	39,553,174	33,392,612	40,400,519	40,814,719	47,554,979	44,848,366	45,083,905	47,090,550
Books & Supplies	14,911,525	4,900,180	14,317,622	10,497,076	16,936,748	11,804,142	12,303,848	15,241,826	10,693,234
Services & Other Operating Expenses	20,721,442	19,909,034	18,911,333	20,216,359	20,527,385	22,535,872	22,918,405	25,120,512	27,593,725
Capital Outlay	541,538	367,882	1,013,774	2,323,184	1,329,181	572,951	122,138	2,293,148	286,874
Other Outgo	(25,884)	(120,191)	(104,535)	310,790	(281,898)	(244,354)	446,520	523,371	525,686
Transfers of Direct Support/Indirect Costs	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>(798,783)</u>	<u>(782,233)</u>	<u>(764,590)</u>
TOTAL EXPENDITURES	195,592,736	189,140,655	193,602,306	205,481,445	218,261,857	228,375,491	224,782,748	235,617,921	235,854,494
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,099,552)	(795,616)	(14,520,608)	(468,694)	(8,610,386)	(3,441,366)	20,428,592	13,247,427	10,659,451
OTHER FINANCING SOURCES (USES) – NET	(218,231)	(5,117,650)	(154,795)	(6,347,930)	(814,673)	(3,314,954)	(19,010,035)	(8,782,695)	(9,120,925)
Fund Balance at beginning of year	<u>90,864,183</u>	<u>90,864,183</u>	<u>85,746,533</u>	<u>85,746,533</u>	<u>78,929,909</u>	<u>78,929,909</u>	<u>59,235,867⁽⁴⁾</u>	<u>60,794,105⁽⁴⁾</u>	<u>65,259,238⁽⁴⁾</u>
Fund Balance at end of year	<u>\$64,546,400</u>	<u>\$85,746,533</u>	<u>\$71,071,130</u>	<u>\$78,929,909</u>	<u>\$69,504,850</u>	<u>\$72,173,589</u>	<u>\$60,654,423</u>	<u>\$65,259,238</u>	<u>\$66,797,765</u>

⁽¹⁾ From the District's audited financial statements in each fiscal year.

⁽²⁾ Reflects the District's original budget for each fiscal year, approved prior to the closing of the prior-year's books.

⁽³⁾ From the District's adopted budget for fiscal year 2016-17, approved on June 16, 2016.

⁽⁴⁾ Beginning fund balances do not include the District's Fund 17 and Fund 20 which, for financial reporting purposes, were included in the audited ending balance for the prior year.

Source: Ontario-Montclair School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2015-16 Budget. On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 Budget"). The following information is drawn from the State Department of Finance's summary of the 2015-16 Budget, as well as a summary prepared by the LAO.

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of \$111.3 billion, and total State general fund expenditures of \$114.5 billion. The 2015-16 Budget projects that the State will end the 2014-15 fiscal year with a general fund ending balance of \$2.4 billion and total reserves of \$3 billion (including \$1.5 billion in the traditional general reserve and \$1.6 billion in the BSA). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of \$115 billion and total expenditures of \$115.4 billion, leaving the State with a year-end general fund balance of approximately \$2 billion. The 2015-16 Budget projects total year-end reserves of \$4.6 billion, including \$1.1 billion in the traditional general fund reserve and \$3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum guarantee is revised upward to \$58.9 billion, an increase of \$612 million over the estimate included in the 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to \$66.3 billion, an increase of \$5.4 billion over the estimate included in the 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.4 billion, including \$49.4 billion of support from the State general fund. This represents a year-to-year increase of \$2.1 billion over the revised level for fiscal year 2014-15. For K-12 education, the 2015-16 Budget provides total Proposition 98 funding of \$59.5 billion, including \$43.2 billion from the State general fund. Under the 2015-16 Budget, K-12 per-pupil spending in fiscal year 2015-16 is \$9,942, an increase of \$1,011 (or 11%) from the prior year.

Significant features of the 2015-16 Budget related to K-12 education include the following:

- *Local Control Funding Formula* – An increase of \$6 billion in Proposition 98 funding to continue the transition to the LCFF, bringing total LCFF funding to \$52 billion. This represents a 13% year-to-year increase, and is projected to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 52%. As a result, the adjusted 2015-16 Base Grants are as follows: (i) \$7,820 for grades K-3, (ii) \$7,189 for grades 4-6, (iii) \$7,403 for grades 7-8, and (iv) \$8,801 for grades 9-12. See also "– State Funding of Education – Local Control Funding Formula" herein.
- *Career Technical Education (CTE)* – The 2015-16 Budget establishes the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2015-16 Budget provides \$400 million in fiscal year 2015-16 to fund the program, as well as \$300 million and \$200 million for fiscal years 2016-17 and 2017-18, respectively. The program allocates this funding into three pools for large, medium-sized and small applicants, based on ADA in grades 7-12. Specifically, 4% of total funding is available for agencies with less than 140 ADA, 8% is available for agencies with ADAs between 140 and 550, and the remainder for agencies with more than 550 ADA.

Local education agencies will be required to provide local-to-state matching funds in each of the three years. When determining grant recipients, the State Department of Education will be required to give priority to those agencies that are establishing new programs, serve a large number of EL, LI and foster youth students, serve pupil groups with above-average dropout rates, or are located in areas of high unemployment.

- *K-14 Deferrals* – \$992 million to eliminate all outstanding apportionment deferrals, including \$897 million for K-12 education, consistent with a revenue-based trigger mechanism included in the 2014-15 State budget.
- *Maintenance Factor/Settle Up Payments* – The 2015-16 Budget reduces the outstanding Proposition 98 maintenance factor to \$772 million. The maintenance factor is created in years where the State provides less growth in K-14 funding than growth in the State economy by implementing “Test 3” or suspends the guarantee entirely. The 2015-16 Budget also provides \$256 million in “settle up” payments to repay obligations created in years where revenue projections understate the minimum funding guarantee.
- *Educator Support* – An increase of \$500 million in one-time Proposition 98 funding for educator support, including beginning teacher and administrator support, mentoring and professional development. These funds will be allocated to local educational agencies in an equal amount per certificated staff and are available for expenditure over the next three fiscal years.
- *Special Education* – \$60.1 million of Proposition 98 funding, including \$50.1 million of ongoing funding and \$10 million of one-time funds, to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce formed in 2013, as well as to make targeted investments designed to improve the delivery of services and outcomes for disabled students.
- *K-12 High-Speed Internet Access* – An increase of \$50 million in one-time Proposition 98 funding to support additional internet connectivity and infrastructure.
- *Mandates* – An increase of \$3.2 billion in one-time Proposition 98 funding to reduce a backlog of unpaid reimbursement claims to K-12 local educational agencies for the cost of State-mandated programs. After accounting for this payment, the outstanding K-12 mandate backlog is approximately \$1.2 billion.
- *Adult Education* – \$500 million to fund the Adult Education Block Grant program. Prior budgetary legislation mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to coordinate the delivery of adult education services. Up to \$375 million is available to be distributed directly to K-12 school districts and county offices of education to match amounts that have been spent on adult education within the past two years. The balance will be apportioned directly to consortia for distribution to their member agencies. Beginning in fiscal year 2016-17, all funds for adult education will be apportioned directly to consortia. The 2015-16 Budget also provides \$25 million in one-time Proposition 98 funding to assist consortia develop or update data systems necessary to evaluate the effectiveness of their programs, as well as to fund State-level activities to develop consistent data policies and data collection procedures.
- *Categorical Programs* – The 2015-16 Budget provides \$40 million to fund a 1.02% COLA for select K-12 categorical programs.

- *Emergency Repair Program* – \$273 million to make the final payment towards funding the Emergency Repair Program (“ERP”), which was created as the result of a legal settlement in 2004 to provide local educational agencies funding for critical repair projects.
- *Basic Skills Pilot Program* – \$10 million of Proposition 98 funding to support a pilot program designed to incentivize high schools, community college districts and the California State University (CSU) system to coordinate the delivery of basic skills instruction to incoming CSU students.
- *Special Education* – \$67 million to fund a package of special-education related activities, including \$52 million in ongoing funding and \$15 million in one-time funds.

For additional information regarding the 2015-16 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO’s website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the “2016-17 Budget”). The following information is drawn from the Department of Finance’s summary of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of \$117 billion and total expenditures of \$115.6 billion. The State is projected to end the 2015-16 fiscal year with total available reserves of \$7.3 billion, including \$3.9 billion in the traditional general fund reserve and \$3.4 billion in the BSA. For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of \$120.3 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$8.5 billion, including \$1.8 billion in the traditional general fund reserve and \$6.7 billion in the BSA.

As required by Proposition 2, the 2016-17 Budget applies \$1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year. Other significant features including measures designed to counteract the effects of poverty, fund various infrastructure improvements, and increase funding for low income housing and homelessness programs.

For fiscal year 2016-17, the 2016-17 Budget sets the minimum funding guarantee at \$71.9 billion, an increase of \$3.5 billion over the revised level from the prior fiscal year. Significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – \$2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. As a result, the 2016-17 Budget projects total LCFF implementation to be at 96% during fiscal year 2016-17.
- *College Readiness* – \$200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than \$75,000. The 2016-17 Budget also provides \$15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.

- *Teacher Workforce* – \$35 million in one-time funding, including \$25 million of Proposition 98 funding, to provide grants aimed at recruiting additional teachers and streamlining teacher credentialing programs.
- *Charter Schools* – An increase of \$20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.
- *Support Systems* – \$20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.
- *Truancy and Dropout Prevention* – Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that State expenditures savings resulting from these reduced penalties be invested into K-12 truancy and dropout prevention. The 2016-17 Budget allocates \$18 million of such funding to K-12 local education agencies.
- *Drinking Water* – \$9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.
- *Mandates* – \$1.3 billion in one-time Proposition 98 funding to reduce the existing backlog of unpaid reimbursement claims to K-12 local educational agencies for the cost of State-mandated programs. The funding would be provided to local educational agencies on a per-student basis, and would be available to be used at local discretion.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Series A Bonds, as well as on the Series B Bonds from and after the Crossover Date, would not be impaired.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. Prior to the Crossover Date, the Series B Bonds shall be secured by and payable solely from proceeds thereof deposited into the Escrow Fund established therefor. The Series A Bonds, as well as the Series B Bonds from and after the Crossover Date, shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District was founded in 1884 and provides public K-8 education in a 26-square mile area of western San Bernardino County. The District's territory includes a large portion of the City of Ontario, a portion of the City of Montclair and small portions of the City of Upland and unincorporated areas of the County. The District currently operates 26 elementary schools, six middle schools and two alternative education schools. The District's ADA is projected to 20,857 students in fiscal year 2016-17, and taxable property has a fiscal year 2015-16 assessed valuation of \$11,541,155,398.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The following table shows the current members and terms of the District Board.

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Elvia M. Rivas	President	December 2018
Alfonso Sanchez	Vice President	December 2016
Maureen Mendoza	Clerk	December 2016
Samuel Crowe	Member	December 2018
Michael C. Flores	Member	December 2018

The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as supervision of the District's other key personnel. Dr. James Q. Hammond currently serves as the District Superintendent. Brief biographies of the Superintendent and Chief Business Official follow:

Dr. James Q. Hammond, Superintendent. In May 2010, the Ontario-Montclair School District Board of Trustees appointed Dr. Hammond for the District. Previously, Dr. Hammond served as Superintendent of the Davis Joint Unified School District. Dr. Hammond's previous experience also includes serving as a teacher, dean of students, assistant principal, and principal. He received his Bachelor of Arts degree in political science from St. Martin College, a Master of Arts degree in curriculum and instruction from Gonzaga University, and a Doctorate degree in education from Washington State University.

Phil Hillman, Chief Business Official. Mr. Hillman has served as Chief Business Official of the District for approximately two and a half years. Previously, Mr. Hillman served the District as the Chief Financial Officer. Mr. Hillman has over 25 years of experience in business office or consulting roles for

various school districts, including Brea-Olinda Unified School District, Placentia-Yorba Linda School District, and Downey Unified School District. Prior to his career in education, Mr. Hillman was a consultant with Vavrinek, Trine, Day & Co., an accountancy firm assisting school districts. Mr. Hillman earned his Bachelor's Degree in Business Administration/Accounting from California State Polytechnic University, Pomona. Mr. Hillman also holds an active Certified Public Accountant certificate, and has been a member of the Loss Control Committee with Alliance of Schools for Cooperative Insurance Programs (ASCIP), a Board Member of the Downey Federal Credit Union, a Board Member of the Southern California Schools Employee Benefits Association, a Board Member of the City of Montclair Redevelopment Agency Successor Committee, and a member of the California Association of School Business Officials (CASBO).

Labor Relations

As of May 4, 2016, the District employed 1,216 full-time certificated employees and 457 classified employees. As of such date, the District also employed 504 part-time faculty and staff. District employees, with the exception of management and some part-time employees, are represented by the bargaining units noted below:

BARGAINING UNITS Ontario-Montclair School District

<u>Labor Organization</u>	<u>Contract Expiration</u>
California School Employees Association	June 30, 2017
Ontario-Montclair Teachers Association	June 30, 2016 ⁽¹⁾

⁽¹⁾ The District has sunshined a proposal for a new contract. Members of this bargaining unit are working under the terms of the expired contract.

Source: Ontario-Montclair School District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years

assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate will increase over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts’ contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers’ Retirement Board (the “STRS Board”), is required to increase or decrease the K-14 school districts’ contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members’ contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify

adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were \$8,041,717 in fiscal year 2011-12, \$8,086,914 in fiscal year 2012-13, \$8,458,416 in fiscal year 2013-14 and \$9,950,713 in fiscal year 2014-15. The District has projected \$11,856,204 for its contribution to STRS for fiscal year 2015-16. The District has budgeted its contribution to STRS for fiscal year 2016-17 to be \$14,337,852.

The State also contributes to STRS, currently in an amount equal to 4.891% of teacher payroll for fiscal year 2015-16. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over a three year period to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2015-16 and fiscal year 2016-17. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$3,013,295 in fiscal year 2011-12, \$3,258,797 in fiscal year 2012-13, \$3,596,573 in fiscal year 2013-14 and \$4,240,526 in fiscal year 2014-15. The District has projected \$4,591,610 for its contribution to PERS for fiscal year 2015-16. The District has budgeted its contribution to PERS for fiscal year 2016-17 to be \$5,240,235.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275,

Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2014-15

STRS

<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200

PERS

<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁵⁾	-- ⁽⁵⁾
2014-15 ⁽⁶⁾	73,325	56,814	16,511	-- ⁽⁵⁾	-- ⁽⁵⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes assets allocated to the SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

⁽⁶⁾ On April 19, 2016, the PERS Finance & Administration Committee approved the K-14 school district contribution rate for fiscal year 2016-17 and released certain actuarial information to be incorporated into the June 30, 2015 actuarial valuation to be released in summer 2015.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2015, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board voted to reduce the PERS Discount Rate to 6.5% over a period of 20 years. This change could result in increased contributions over time from both employers and employees.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25

years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For more information, see “—District Debt Structure” and “APPENDIX B – 2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” herein.

Other Post Employment Benefits

Benefit Plan. The District currently provides post-employment medical insurance benefits (the “Post-Employment Benefits”) to eligible retired certificated, classified and management employees, as well as certain former members of the District’s Board of Trustees, and their dependents. Benefit levels, and retiree and District contribution requirements, vary by retiree type. Membership in the plan currently consists of 259 retirees receiving benefits, 38 terminated plan members entitled to but not yet drawing on benefits, and 2,043 active members.

Funding Policy. Currently, the District funds the Post-Employment Benefits on a “pay-as-you-go” basis to cover the cost of current premiums, together with additional set-asides from surplus funds, as determined annually, to prefund the District’s accrued liability (described below) for the Post-Employment Benefits. During fiscal year 2014-15, the District recognized total expenditures (premiums and set asides) of \$1,510,957 for the Post-Employment Benefits. For fiscal year 2015-16, the District projects \$1,669,552 of total expenditures for the Post-Employment Benefits. For fiscal year 2016-17, the District has budgeted \$2,113,127 of total expenditures for the Post-Employment Benefits.

The District has established two GASB-qualifying irrevocable trusts to begin funding its accrued liability for Post-Employment Benefits related to two benefit groups: (1) benefits provided to District

retirees and active contract and noncontract employees (the “General Trust”), and (2) benefits provided pursuant to individual employment contracts with certain management employees (the “Grantor Trust,” and together with the General Trust, the “OPEB Trusts”). The District has only made one initial deposit into each of the OPEB Trusts. The value of assets on deposit in the OPEB Trusts, as of April 30, 2016, was \$7,770,951.25 (General Trust) and \$376,433.73 (Grantor Trust).

The District also periodically sets aside funds to prefund its accrued liability within its Fund 17 (Special Reserve for Post-Employment Benefits) and Self-Insurance Fund. The District currently expects to have approximately \$19.7 million set aside in such Funds for Post-Employment Benefits by the end of the 2016-17 fiscal year. Such Funds, however, have not been irrevocably pledged to the District’s Post-Employment Benefits, and may be accessed upon Board for action for other purposes.

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, which requires the District to report its liability for the Post-Employment Benefits consistent with generally established accounting principles. The District has commissioned actuarial studies, on a bi-annual basis, with respect to its accrued liability in connection with the Post-Employment Benefits. The following table shows the results of the most recent studies commissioned and received by the District with respect to three groups of Post-Employment Benefits: (1) benefits provided to District retirees and active contract and non-contract employees and funded by the General Trust, (2) benefits provided pursuant to individual management contracts and funded by the Grantor Trust, and (3) benefits provided to certain former members of the District’s Board of Trustees. Each study has reported an unfunded actuarial accrued liability (an “UAAL”) with respect to Post-Employment Benefits associated with certain employee groups, as well as an annual required contribution (an “ARC”). Each ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (also called the “Normal Cost”) and the amount necessary to amortize the respective UAAL, in accordance with the GASB Statements Nos. 43 and 45.

**OTHER POST-EMPLOYMENT BENEFITS
ACTUARIAL ACCRUED LIABILITIES
Ontario-Montclair School District
As of a November 1, 2014 Valuation Date**

Benefit Group	<u>UAAL</u>	<u>ARC</u>	Actuarial Value of <u>Assets</u>
General Trust	\$26,214,034	\$2,875,117	\$7,688,786
Grantor Trust	919,622	60,642	365,458
Board of Trustees	<u>860,087</u>	<u>111,003</u>	-- ⁽¹⁾
Total	<u>\$27,993,743</u>	<u>\$3,046,762</u>	<u>\$8,054,244</u>

⁽¹⁾ No GASB-qualifying trust has been established to fund benefits provided to former members of the District’s Board of Trustees.

As of June 30, 2015, the District recognized a net balance sheet liability (the “Net OPEB Obligation”) of \$11,491,961 with respect to its accrued liability for the Post-Employment Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2014-15, plus interest on the prior year’s Net OPEB Obligation and minus any adjustments to reflect the amortization thereof. See “APPENDIX B – 2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” herein.

Risk Management

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of commercial insurance, self insurance and participation in certain public entity risk pools, as described below.

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability coverage. Health insurance coverage is available through the Southern California Schools Employee Benefits Association (SCSEBA) and the District's insurance programs, administered by the District's Insurance Committee.

The JPAs arrange for and/or provide coverage for their members. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA. The JPAs are not considered component units of the District for financial reporting purposes.

While there are currently pending claims against the District, the District does not expect that the potential liability associated with such claims would exceed available insurance coverages. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>
General Obligation Bonds	\$53,587,211	\$583,464	\$1,500,000	\$52,670,675
Unamortized premium	1,018,016	--	63,626	954,390
Compensated Absences	1,917,422	117,439	--	2,034,861
Other Postemployment Benefits	9,979,943	3,022,975	1,510,957	11,491,961
Claims Liability	1,826,887	--	834,276	992,611
SELF Workers' Compensation Assessment	290,214	--	25,515	264,699
Supplemental Early Retirement Plan	<u>967,819</u>	<u>--</u>	<u>967,819</u>	<u>--</u>
Total	<u>69,587,512</u>	<u>\$3,723,878</u>	<u>\$4,902,193</u>	<u>\$68,409,197</u>

Source: Ontario-Montclair School District.

General Obligation Bonds. The annual debt service requirements on the District's outstanding general obligation bonded debt, including the Bonds (and assuming no further optional redemptions), is shown below.

GENERAL OBLIGATION BOND DEBT SERVICE
Ontario-Montclair School District

Maturity (August 1)	Election of 2002 General Obligation Bonds, Series C⁽¹⁾	Election of 2002 General Obligation Bonds, Series D	Election of 2002 General Obligation Bonds, Series D-1⁽¹⁾⁽²⁾	2013 General Obligation Refunding Bonds	The Bonds	Total Annual Debt Service
2016	\$268,375.00	\$330,000.00	\$1,405,001.50	\$930,000.00	--	\$2,933,376.50
2017	284,625.00	390,000.00	1,405,001.50	1,025,000.00	\$864,670.14	3,969,296.64
2018	--	450,000.00	1,405,001.50	1,120,000.00	1,169,375.00	4,144,376.50
2019	--	515,000.00	1,405,001.50	1,220,000.00	1,190,975.00	4,330,976.50
2020	--	--	1,985,001.50	1,325,000.00	1,773,575.00	5,083,576.50
2021	--	--	2,044,447.50	1,440,000.00	1,860,125.00	5,344,572.50
2022	--	--	2,102,057.50	1,560,000.00	1,960,925.00	5,622,982.50
2023	--	--	2,157,225.00	1,685,000.00	2,048,175.00	5,890,400.00
2024	--	--	2,214,321.00	1,820,000.00	2,151,825.00	6,186,146.00
2025	--	1,125,000.00	1,152,855.00	1,960,000.00	1,160,675.00	5,398,530.00
2026	--	1,210,000.00	1,152,855.00	2,105,000.00	1,190,425.00	5,658,280.00
2027	--	1,295,000.00	1,152,855.00	2,260,000.00	1,217,425.00	5,925,280.00
2028	925,000.00	2,290,000.00	1,152,855.00	--	577,825.00	4,945,680.00
2029	960,000.00	2,435,000.00	1,152,855.00	--	577,825.00	5,125,680.00
2030	995,000.00	2,550,000.00	1,152,855.00	--	577,825.00	5,275,680.00
2031	1,330,000.00	--	5,197,855.00	--	4,592,825.00	11,120,680.00
2032	1,380,000.00	--	3,718,064.26	--	3,222,225.00	8,320,289.26
2033	--	--	4,636,809.76	--	4,214,600.00	8,851,409.76
2034	--	--	4,710,033.00	--	4,394,000.00	9,104,033.00
Total	<u>\$6,143,000.00</u>	<u>\$12,590,000.00</u>	<u>\$41,302,950.52</u>	<u>\$18,450,000.00</u>	<u>\$34,745,295.14</u>	<u>\$113,231,245.66</u>

(1) Does not include debt service on the 2002 Series C Bonds expected to be refinanced with proceeds of the Series A Bonds. Includes debt service on the 2002 Series D-1 Bonds expected to be refunded with proceeds of the Series B Bonds on the Crossover Date

(2) Represents gross debt service thereon. The 2002 Series D-1 Bonds were designated as federally-taxable "Build America Bonds" pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive cash subsidy payments ("Subsidy Payments") from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each respective semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the respective interest and sinking funds for such bonds, to be used as a credit against future debt service thereon. Subsidy Payments are subject to reduction (each, a "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 6.8% through the end of the current federal fiscal year (September 30, 2016). In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County is empowered to levy an *ad valorem* property tax sufficient to pay principal of and interest on such bonds.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed forms of opinion of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible for security for deposits of public moneys in the State.

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Escrow Verification

Upon delivery of the Bonds, Causey Demgen & Moore, P.C. will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter (defined herein) relating to (a) the adequacy of the moneys in the Escrow Fund, to pay (i) the redemption prices of the Refunded Bonds, (ii) interest on the refunded 2002 Series C Bonds through the first optional redemption date therefor, and (iii) the principal of and interest on the Series B Bonds prior to the Crossover Date, and (b) the computations of yield of the Bonds which support Bond Counsel’s opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2015-16 Fiscal Year, and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file a portion of the annual report for fiscal year 2011-12, as required by its prior undertakings pursuant to the Rule. The District also did not file the remaining portion of the report for fiscal year 2011-12 in a timely manner. Within the past five years, the District also failed to file in a timely manner certain notices relating to listed events.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District’s ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District’s ability to issue and retire the Bonds.

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2015, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 6, 2015 of Vavrinek Trine Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinion

The legal opinions of Bond Counsel approving the validity of the Bonds will be supplied to the original purchasers thereof without cost. The proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA," with a stable outlook, by S&P, based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. The Bonds have also been assigned underlying ratings of "Aa3" by Moody's and "A+" by S&P. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Purchase of Bonds. Piper Jaffray & Co. (the "Underwriter") has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds. The Underwriter will purchase the Series A Bonds for a purchase price of \$4,929,199.85 (consisting of the principal amount of the Series A Bonds of \$4,280,000.00 plus net original issue premium of \$661,183.85, less

Underwriter's discount of \$11,984.00). The Underwriter will purchase the Series B Bonds for a purchase price of \$21,107,673.95 (consisting of the principal amount of the Series B Bonds of \$18,770,000.00, plus net original issue premium of \$2,390,229.95, less Underwriter's discount of \$52,556.00).

The purchase contract for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Underwriter Disclosures. The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should be construed as a representation of the District.

Piper Jaffray & Co. has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Certain of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

By: _____/s/ Dr. James Q. Hammond
Superintendent

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APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series A Bonds substantially in the following form:

August 11, 2016

Board of Trustees
Ontario-Montclair School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$4,280,000 Ontario-Montclair School District 2016 General Obligation Refunding Bonds, Series A (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the “Resolution”) adopted by the Board of Trustees of the Ontario-Montclair School District (the “District”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner’s basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is

not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series B Bonds substantially in the following form:

August 11, 2016

Board of Trustees
Ontario-Montclair School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$18,770,000 Ontario-Montclair School District 2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the “Resolution”) adopted by the Board of Trustees of the Ontario-Montclair School District (the “District”).
2. The Bonds, prior to August 1, 2019 (the “Crossover Date”), will be secured by and payable solely from proceeds of the Bonds on deposit in an escrow fund established therefor. From and after the Crossover Date, the Bonds shall constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property within the District subject to taxation thereby, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner’s basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is

excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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**ONTARIO-MONTCLAIR
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

ONTARIO-MONTCLAIR SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Ontario-Montclair School District
Ontario, 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 Ontario-Montclair School District (the District) as of and for the year ended June 30, 2015, 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 *2014-2015 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 Ontario-Montclair School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, other postemployment benefit, net pension liability, and District contributions information on pages 67 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario-Montclair School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 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 6, 2015, on our consideration of the Ontario-Montclair 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 Ontario-Montclair School District's internal control over financial reporting and compliance.

Vavrinck, Irino, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

Ontario-Montclair

School District

950 West D Street, Ontario, California 91762 • (909) 418-6450 FAX: (909) 459-2555

ADMINISTRATIVE SERVICES

BOARD OF TRUSTEES

Samuel Crowe
Michael C. Flores
Maureen “Moe” Mendoza
Elvia M. Rivas
Alfonso Sanchez

James Q. Hammond, Ed.D.
Superintendent

Philip Hillman
Chief Business Official

This section of Ontario-Montclair 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, 2015, with comparative information from the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Ontario-Montclair School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements present governmental activities. 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.

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

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

The Primary unit of the government is the Ontario-Montclair School District.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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.

In the *Statement of Net Position* and the *Statement of Activities*, we report the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as certificates of participation and 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. and California Department of Education.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$80,140,950 for the fiscal year ended June 30, 2015. Of this amount, \$(104,806,259) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	2014 as restated
Assets		
Current and other assets	\$ 138,605,535	\$ 142,688,901
Capital assets	212,061,755	218,584,300
Total Assets	350,667,290	361,273,201
Deferred Outflows of Resources	15,952,445	12,034,118
Liabilities		
Current liabilities	21,928,852	21,900,088
Long-term obligations	68,409,197	69,587,512
Aggregate net pension liability	154,736,346	193,846,116
Total Liabilities	245,074,395	285,333,716
Deferred Inflows of Resources	41,404,390	-
Net Position		
Net investment in capital assets	159,226,434	164,873,070
Restricted	25,720,775	27,982,994
Unrestricted	(104,806,259)	(104,882,461)
Total Net Position	\$ 80,140,950	\$ 87,973,603

The \$(104,806,259) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Changes in Net Position

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

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 1,590,934	\$ 556,219
Operating grants and contributions	61,684,480	61,997,059
Capital grants and contributions	28,847	9,974
General revenues:		
Federal and State aid not restricted	161,632,398	135,007,731
Property taxes	18,550,831	20,563,408
Other general revenues	3,631,689	6,405,568
Total Revenues	247,119,179	224,539,959
Expenses		
Instruction-related	190,528,868	172,092,329
Student support services	29,251,326	27,415,691
Administration	12,307,127	10,639,026
Plant services	20,641,244	17,296,129
Other	3,903,234	3,348,745
Total Expenses	256,631,799	230,791,920
Change in Net Position	\$ (9,512,620)	\$ (6,251,961)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$256,631,799. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18,550,831 because the cost was paid by those who benefited from the programs (\$1,590,934) or by other governments and organizations who subsidized certain programs with grants and contributions (\$61,713,327). We paid for the remaining "public benefit" portion of our governmental activities with \$165,264,087 in Federal and State funds and with other revenues, like interest and general entitlements.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction and other related, school administration, pupil transportation, food services, other student support services, administration, plant services, and other. 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

	2015		2014	
	Total Cost of Services	Net Cost/ (Revenues) of Services	Total Cost of Services	Net Cost/ (Revenues) of Services
Instruction and other related	\$ 172,554,291	\$ 129,578,461	\$ 155,052,815	\$ 114,601,137
School administration	17,974,577	20,144,857	17,039,514	14,446,784
Pupil transportation	3,225,398	3,121,326	3,025,057	2,926,538
Food services	13,705,479	1,994,427	13,815,251	2,873,416
Other student support services	12,320,449	7,155,622	10,575,383	5,694,031
Administration	12,307,127	10,082,785	10,639,026	8,440,982
Plant services	20,641,244	19,272,451	17,296,129	16,577,768
Other	3,903,234	1,977,609	3,348,745	2,668,012
Total	\$ 256,631,799	\$ 193,327,538	\$ 230,791,920	\$ 168,228,668

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$103,872,044, which is a decrease of \$6,532,921 from prior year.

The primary reasons for the decrease are:

Our General Fund is our principal operating fund. The fund balance in the General Fund decreased to \$72,173,589 from \$78,929,909. This change is due to the combination of a one-time expenditure for classroom technology and professional development and an increase to employees' salaries and benefits in exchange for additional work hours and to adjust for cost of living. Overall, our non-major governmental funds increased in aggregate to \$31,698,455 from \$31,475,056.

General Fund Budgetary Highlights

Over the course of the year, the District revises its Budget as it attempts to deal with unexpected changes in revenues and expenditures. The final revision to the Budget was posted as of June 30, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 67.)

Revenue and expenditure revisions were made to the 2014-2015 Budget due to changes in State funding, changes in student enrollment and attendance, changes to Federal grant awards, and increases and savings in expenditures that were confirmed after the Budget was adopted.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had a carrying value of \$212,061,755 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of \$6,522,545, or three percent, from last year.

Table 4

	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 7,922,831	\$ 15,322,084
Buildings and improvements	200,759,806	199,696,552
Equipment	3,379,118	3,565,664
Total	\$ 212,061,755	\$ 218,584,300

Several capital projects are planned for the 2015-2016 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$68,409,197 in long-term obligations outstanding versus \$69,587,512 last year, resulting in an increase of \$1,178,315 from last year. Those long-term obligations consisted of:

Table 5

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 53,625,065	\$ 54,605,227
Compensated absences	2,034,861	1,917,422
Other postemployment benefits	11,491,961	9,979,943
Claims liability	992,611	1,826,887
SELF workers' compensation assessment	264,699	290,214
Supplemental early retirement plan	-	967,819
Total	\$ 68,409,197	\$ 69,587,512

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year end, the District had a pension liability of \$154,736,346 as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

A. ADA Assumptions

1. Regular ADA (excluding County Office of Education ADA) is estimated to decline in fiscal year 2015-2016:
 - a. 2015-2016: 21,535 Estimated P-2 (-278 from prior year)
 - b. 2014-2015: 21,813 Actual P-2 (-332 from prior year)
 - c. 2013-2014: 22,145 Actual P-2 (+32 from prior year)
 - d. 2012-2013: 22,113 Actual P-2 (+116 from prior year)

B. Revenue Assumptions

1. Local Control Funding Formula (LCFF) has been budgeted at \$196.9 million:
 - a. Cost of Living Adjustment (COLA) of 1.02 percent.
 - b. GAP funding rate of 53.08 percent.
 - c. An 88.25 percent of unduplicated pupils, the count of pupils who are English Learner students, Free or Reduced Price Meal students, or Foster Youth.
 - d. Local property taxes of \$10,623,729.
2. Other State and Federal Revenue assumptions include:
 - a. One-time discretionary State funding of \$13.0 million for the reimbursement of unfunded mandates allocated for the further implementation of common core.

C. Expenditure Assumptions

1. Step and column salary increases have been provided for all applicable contract positions. In addition, due to recent pension reform, the District has increased its contribution to CalSTRS and CalPERS.
2. Based on the State Adopted 2015-2016 Budget and the incorporation of the estimated effects of declining enrollment, subsequent reductions were made to General Fund expenditures including, but not limited to, contract salary and benefits and formula driven allocations.
3. All Federal, State, and Local categorical grant programs are budgeted with revenues equaling expenditures. Entitlement programs are budgeted for expenditures equaling the sum of current year revenues and restricted fund balances.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

D. Fund Balance

1. The estimated ending fund balance includes a Reserve for Economic Uncertainties of \$6.7 million. This amount is based on the District's 2014-2015 Unaudited Actuals Report.
2. The total General Fund Ending Fund Balance projected at the 2014-2015 Unaudited Actuals Report is estimated at \$60.8 million. This includes Nonspendable balances of \$315,705, Assigned balances of \$48 million, Restricted Balances of \$5.8 million, and an Economic Uncertainties balance of \$6.7 million.

E. Multi-Year Projection

In order to obtain a positive certification on State required Interim Financial Reports, the District must prepare and the District Governing Board of Trustees approve, a Multi-Year Projection that includes a solvent financial picture for the current fiscal year (2015-2016) and two subsequent fiscal years (2016-2017 and 2017-2018).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Business Official, Mr. Phil Hillman, at Ontario-Montclair School District, 950 West D Street, Ontario, California 91762 or email at Phil.Hillman@omsd.k12.ca.us.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	\$ 129,433,150
Receivables	8,694,279
Prepaid expenses	36,938
Stores inventories	441,168
Other current assets	
Capital assets	
Land and construction in progress	7,922,831
Other capital assets	321,989,482
Less accumulated depreciation	(117,850,558)
Total Capital Assets	<u>212,061,755</u>
Total Assets	<u>350,667,290</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	789,744
Net change in proportionate share of net pension liability	1,167,523
Current year pension contribution	13,995,178
Total Deferred Outflows of Resources	<u>15,952,445</u>
LIABILITIES	
Accounts payable	20,812,376
Interest payable	941,162
Unearned revenue	175,314
Long-term obligations	
Current portion of long-term obligations other than pensions	1,843,861
Noncurrent portion of long-term obligations other than pensions	66,565,336
Total Long-Term Obligations	<u>68,409,197</u>
Aggregate net pension liability	154,736,346
Total Liabilities	<u>245,074,395</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	41,404,390
NET POSITION	
Net investment in capital assets	159,226,434
Restricted for:	
Debt service	3,436,219
Capital projects	8,515,094
Educational programs	5,756,739
Other activities	8,012,723
Unrestricted	(104,806,259)
Total Net Position	<u><u>\$ 80,140,950</u></u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 166,393,640	\$ 31,007	\$ 36,755,325	\$ 28,847	\$ (129,578,461)
Instruction-related activities:					
Supervision of instruction	5,343,437	12,563	1,769,366	-	(3,561,508)
Instructional library, media, and technology	817,214	-	134,220	-	(682,994)
School site administration	17,974,577	4,615	2,069,607	-	(15,900,355)
Pupil services:					
Home-to-school transportation	3,225,398	-	104,072	-	(3,121,326)
Food services	13,705,479	178,688	11,532,364	-	(1,994,427)
All other pupil services	12,320,449	111,489	5,053,338	-	(7,155,622)
Administration:					
Data processing	4,262,993	-	1,562	-	(4,261,431)
All other administration	8,044,134	14,053	2,208,727	-	(5,821,354)
Plant services	20,641,244	300,772	1,068,021	-	(19,272,451)
Ancillary services	622,513	-	20,080	-	(602,433)
Enterprise services	5,138	-	-	-	(5,138)
Interest on long-term obligations	2,845,416	-	-	-	(2,845,416)
Other outgo	430,167	937,747	967,798	-	1,475,378
Total Governmental Activities	\$ 256,631,799	\$ 1,590,934	\$ 61,684,480	\$ 28,847	(193,327,538)
General Revenues and Subventions:					
					14,816,077
Property taxes, levied for general purposes					3,023,964
Property taxes, levied for debt service					710,790
Taxes levied for other specific purposes					161,632,398
Federal and State aid not restricted to specific purposes					330,758
Interest and investment earnings					3,300,931
Miscellaneous					
Total General Revenues and Subventions					183,814,918
Change in Net Position					(9,512,620)
Net Position - Beginning, as Restated					89,653,570
Net Position - Ending					\$ 80,140,950

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 86,573,002	\$ 32,758,029	\$ 119,331,031
Receivables	7,454,170	1,221,108	8,675,278
Due from other funds	1,720,947	521,695	2,242,642
Prepaid expenditures	36,938	-	36,938
Stores inventories	203,767	237,401	441,168
Total Assets	\$ 95,988,824	\$ 34,738,233	\$ 130,727,057
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,514,237	\$ 1,258,167	\$ 20,772,404
Due to other funds	4,191,920	1,715,375	5,907,295
Unearned revenue	109,078	66,236	175,314
Total Liabilities	23,815,235	3,039,778	26,855,013
Fund Balances:			
Nonspendable	315,705	273,951	589,656
Restricted	5,755,961	20,905,976	26,661,937
Committed	-	20,240	20,240
Assigned	59,354,616	10,498,288	69,852,904
Unassigned	6,747,307	-	6,747,307
Total Fund Balances	72,173,589	31,698,455	103,872,044
Total Liabilities and Fund Balances	\$ 95,988,824	\$ 34,738,233	\$ 130,727,057

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total Fund Balance - Governmental Funds **\$ 103,872,044**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is:	\$ 329,912,313	
Accumulated depreciation is:	<u>(117,850,558)</u>	
Net Capital Assets		212,061,755

Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but are not recognized on the accrual basis.

789,744

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.

(941,162)

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

13,995,178

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.

12,488,491

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.

1,167,523

The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.

(41,404,390)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(154,736,346)

Long-term obligations, associated with governmental activities are not reported within the governmental funds.

Long-term obligations at year-end consist of:

General obligation bond	(49,544,904)
Premium on general obligation bonds	(954,390)
Compensated absences (vacations)	(2,034,861)
Other postemployment benefits (OPEB)	(11,491,961)

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

(3,125,771)

Total Long-Term Obligations

(67,151,887)

Total Net Position - Governmental Activities

\$ 80,140,950

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Local control funding formula	\$ 171,354,387	\$ -	\$ 171,354,387
Federal sources	14,769,153	12,703,413	27,472,566
Other state sources	24,104,893	2,956,999	27,061,892
Other local sources	14,705,692	5,804,169	20,509,861
Total Revenues	224,934,125	21,464,581	246,398,706
EXPENDITURES			
Current			
Instruction	157,312,488	2,005,467	159,317,955
Instruction-related activities:			
Supervision of instruction	5,265,070	103,220	5,368,290
Instructional library, media, and technology	830,447	-	830,447
School site administration	17,801,874	178,784	17,980,658
Pupil services:			
Home-to-school transportation	3,317,286	-	3,317,286
Food services	18,105	13,068,601	13,086,706
All other pupil services	12,359,050	5,000	12,364,050
Administration:			
Data processing	4,302,046	-	4,302,046
All other administration	7,444,154	674,522	8,118,676
Plant services	18,394,941	2,872,126	21,267,067
Facility acquisition and construction	279,027	846,527	1,125,554
Ancillary services	620,826	-	620,826
Other outgo	430,167	-	430,167
Enterprise services	10	-	10
Debt service			
Principal	-	1,500,000	1,500,000
Interest and other	-	2,284,889	2,284,889
Total Expenditures	228,375,491	23,539,136	251,914,627
Excess (Deficiency) of Revenues Over Expenditures	(3,441,366)	(2,074,555)	(5,515,921)
Other Financing Sources (Uses)			
Transfers in	71,242	2,506,311	2,577,553
Transfers out	(3,386,196)	(208,357)	(3,594,553)
Net Financing Sources (Uses)	(3,314,954)	2,297,954	(1,017,000)
NET CHANGE IN FUND BALANCES	(6,756,320)	223,399	(6,532,921)
Fund Balances - Beginning	78,929,909	31,475,056	110,404,965
Fund Balances - Ending	\$ 72,173,589	\$ 31,698,455	\$ 103,872,044

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds \$ (6,532,921)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

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

Depreciation	\$ (8,150,827)	
Capital outlays	<u>1,678,284</u>	
Net Expense Adjustment		(6,472,543)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (50,002)

Contributions for other postemployment benefits (OPEB) are recorded as an expense in the governmental funds when paid. However, the difference between the annual OPEB cost and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual OPEB cost. (1,512,018)

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, special termination benefits paid totaled \$967,819. Vacation earned was more than the amounts paid by \$117,439. 850,380

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 2,971

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2015

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. \$ 1,500,000

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 63,626	
Amortization of deferred amount on refunding	<u>(59,231)</u>	
Combined Adjustment		4,395

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors. First, accrued interest on the general obligation bonds decreased by \$18,542, and second, \$583,464 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (564,922)

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 net revenue of the Internal Service Fund is reported with governmental activities.

	<u>3,262,040</u>	
Change in Net Position of Governmental Activities	<u>\$ (9,512,620)</u>	

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 10,102,119
Receivables	19,001
Due from other funds	<u>3,670,282</u>
Total Current Assets	<u>13,791,402</u>
LIABILITIES	
Current Liabilities	
Accounts payable	39,972
Due to other funds	5,629
Current portion of claims liability	<u>498,861</u>
Total Current Liabilities	<u>544,462</u>
Noncurrent Liabilities	
Noncurrent portion of claims liability and SELF assessment	<u>758,449</u>
NET POSITION	
Restricted	<u><u>\$ 12,488,491</u></u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 5,358,343</u>
OPERATING EXPENSES	
Payroll costs	80,861
Supplies and materials	9,285
Other operating cost	<u>3,061,020</u>
Total Operating Expenses	<u>3,151,166</u>
Operating Income	<u>2,207,177</u>
NON-OPERATING REVENUES	
Interest income	37,863
Transfers in	<u>1,017,000</u>
Total Non-operating Revenues	<u>1,054,863</u>
Change in Net Position	<u>3,262,040</u>
Total Net Position - Beginning	<u>9,226,451</u>
Total Net Position - Ending	<u><u>\$ 12,488,491</u></u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 4,202,105
Cash payments to employees for services	(80,861)
Other operating cash payments	(9,285)
Cash payments for claims	(3,953,018)
Net Cash Provided by Operating Activities	<u>158,941</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	<u>1,017,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>36,928</u>
Net Increase in Cash and Cash Equivalents	1,212,869
Cash and Cash Equivalents - Beginning	8,889,250
Cash and Cash Equivalents - Ending	<u><u>\$ 10,102,119</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,207,177
Changes in assets and liabilities:	
Receivables	11,934
Due from other funds	(1,168,016)
Accounts payable	(32,207)
Due to other funds	(156)
Claims liability and SELF assessment	(859,791)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 158,941</u></u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 349,061
Stores inventories	39,209
Total Assets	\$ 388,270
LIABILITIES	
Accounts payable	\$ 1,360
Due to student groups	386,910
Total Liabilities	\$ 388,270

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Ontario-Montclair School District (the District) was organized in 1894 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-8 as mandated by the State. The District operates 26 elementary schools, six middle schools, a community day school, an independent study program, and a child care program.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into 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 not 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 Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of \$11,366,618.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities 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.

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 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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 obligations.

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).

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

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

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

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's Agency Fund accounts for associated student body (ASB) activities.

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 (both direct and indirect) and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. 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 a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances report on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary Funds are accounted for using a 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 on the government-wide statements.

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, 2015, 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 and State 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 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. The District maintains a capitalization threshold of \$15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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 and improvements, 20 to 50 years; vehicles, eight to 15 years; equipment, two to 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, capital leases, and long-term loans are recognized as a 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 position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds, current year pension contributions, and for the unamortized amount on net change in proportionate share of net pension liability.

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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$25,720,775 of net position restricted by enabling legislation.

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 self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating 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 columns of the Statement of Activities.

Estimates

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

Budgetary Data

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

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$180,981,006. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

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

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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. 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*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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 scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 129,433,150
Fiduciary funds	349,061
Total Deposits and Investments	<u>\$ 129,782,211</u>

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 559,061
Cash in revolving	111,550
Investments	129,111,600
Total Deposits and Investments	<u>\$ 129,782,211</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment 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 Maturity in Days
San Bernardino County Pool	\$ 129,247,239	344

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool were rated by Fitch Ratings as AAA/V1.

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, 2015, the District's cash in banks were either insured or collateralized by securities held by the pledging financial institution, but not in the name of the District.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 – RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government				
Categorical aid	\$ 2,063,623	\$ 1,097,970	\$ -	\$ 3,161,593
State Government				
Categorical aid	1,355,573	95,896	-	1,451,469
Special education	1,814,605	-	-	1,814,605
Lottery	1,923,942	-	-	1,923,942
Local Government				
Interest	74,642	23,255	8,678	106,575
Other Local Sources				
Other	221,785	3,987	10,323	236,095
Total	<u>\$ 7,454,170</u>	<u>\$ 1,221,108</u>	<u>\$ 19,001</u>	<u>\$ 8,694,279</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 6,160,798	\$ -	\$ -	\$ 6,160,798
Construction in progress	9,161,286	1,266,618	8,665,871	1,762,033
Total Capital Assets Not Being Depreciated	15,322,084	1,266,618	8,665,871	7,922,831
Capital Assets Being Depreciated				
Buildings and improvements	295,482,284	8,529,432	132,067	303,879,649
Furniture and equipment	17,675,556	548,105	113,828	18,109,833
Total Capital Assets Being Depreciated	313,157,840	9,077,537	245,895	321,989,482
Total Capital Assets	328,479,924	10,344,155	8,911,766	329,912,313
Less Accumulated Depreciation				
Buildings and improvements	95,785,732	7,416,176	82,065	103,119,843
Furniture and equipment	14,109,892	734,651	113,828	14,730,715
Total Accumulated Depreciation	109,895,624	8,150,827	195,893	117,850,558
Governmental Activities Capital Assets, Net	\$ 218,584,300	\$ 2,193,328	\$ 8,715,873	\$ 212,061,755

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 7,402,581
Food service	748,246
Total Depreciation	<u>\$ 8,150,827</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 – 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, 2015, between major and non-major governmental funds and internal service funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 1,715,318	\$ 5,629	\$ 1,720,947
Non-Major Governmental Funds	521,638	57	-	521,695
Internal Service Fund	3,670,282	-	-	3,670,282
Total	<u>\$ 4,191,920</u>	<u>\$ 1,715,375</u>	<u>\$ 5,629</u>	<u>\$ 5,912,924</u>

A balance of \$2,734,898 is due to the Internal Service Fund from the General Fund for contribution for other postemployment benefits.

A balance of 935,384 is due to the Internal Service Fund from the General Fund for contribution for workers' compensation insurance.

A balance of \$215,647 is due to the Child Development Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of \$5,991 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for the reimbursement of operating costs.

A balance of \$877,854 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of \$412,590 is due to the General Fund from the Child Development Non-Major Governmental Fund for the reimbursement of payroll and indirect costs.

A balance of \$840 is due to the General Fund from the Deferred Maintenance Non-Major Governmental Fund for the reimbursement of deferred maintenance projects.

A balance of \$424,034 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for the reimbursement of reimbursement of capital outlay projects.

A balance of \$300,000 is due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the General Fund for capital project reserve.

A balance of \$57 is due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the Building Non-Major Governmental Fund for reimbursement of bond projects.

A balance of \$5,629 is due to the General Fund from the Internal Service Fund for the reimbursement of operating costs.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfers From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 71,242	\$ 71,242
Non-Major Governmental Funds	2,369,196	137,115	2,506,311
Internal Service Fund	1,017,000	-	1,017,000
Total	<u>\$ 3,386,196</u>	<u>\$ 208,357</u>	<u>\$ 3,594,553</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for capital project reserves and deferred maintenance projects. \$ 2,153,591

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating costs. 215,605

The General Fund transferred to the Internal Service Fund for property and liability claims. 1,017,000

The Deferred Maintenance Non-Major Governmental Fund transferred to the General Fund reimbursement of deferred maintenance projects. 71,242

The Deferred Maintenance Non-Major Governmental Fund transferred to the Cafeteria Non-Major Governmental Fund for deferred maintenance projects. 137,115
\$ 3,594,553

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 12,148,557	\$ 162,156	\$ 545	\$ 12,311,258	\$ -
State principal apportionment	2,623,386	-	-	2,623,386	-
Supplies	2,121,185	104,368	-	2,225,553	-
Services	2,132,429	777,493	39,427	2,949,349	1,360
Capital outlay	203,334	211,740	-	415,074	-
Other vendor payables	285,346	2,410	-	287,756	-
Total	<u>\$ 19,514,237</u>	<u>\$ 1,258,167</u>	<u>\$ 39,972</u>	<u>\$ 20,812,376</u>	<u>\$ 1,360</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 86,665	\$ 1,570	\$ 88,235
State categorical aid	22,413	-	22,413
Other local	-	64,666	64,666
Total	<u>\$ 109,078</u>	<u>\$ 66,236</u>	<u>\$ 175,314</u>

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds	\$ 53,587,211	\$ 583,464	\$ 1,500,000	\$ 52,670,675	\$ 1,345,000
Unamortized premium	1,018,016	-	63,626	954,390	-
Compensated absences	1,917,422	117,439	-	2,034,861	-
Other postemployment benefits	9,979,943	3,022,975	1,510,957	11,491,961	-
Claims liability	1,826,887	-	834,276	992,611	498,861
SELF workers' compensation assessment	290,214	-	25,515	264,699	-
Supplemental Early Retirement Plan	967,819	-	967,819	-	-
	<u>\$ 69,587,512</u>	<u>\$ 3,723,878</u>	<u>\$ 4,902,193</u>	<u>\$ 68,409,197</u>	<u>\$ 1,843,861</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences and other postemployment benefits are paid by the fund for which the employee worked. Claims liability and the SELF workers' compensation assessment are paid by the Internal Service Fund. The General Fund makes payments for the supplemental early retirement plan (SERP).

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted Interest	Redeemed	Bonds Outstanding End of Year
Series B	2006	8/1/2031	4.50-5.00%	\$ 9,999,646	\$ 1,887,355	\$ 111,166	\$ 245,000	\$ 1,753,521
Series C	2008	8/1/2033	4.50-8.90%	7,999,994	7,530,485	120,499	205,000	7,445,984
Series D	2010	8/1/2030	2.00-6.56%	4,100,263	5,129,371	351,799	225,000	5,256,170
Series D-1	2010	8/1/2034	6.13-6.68%	19,205,000	19,205,000	-	-	19,205,000
2013 Refunding	2013	8/1/2027	3.25%	19,835,000	19,835,000	-	825,000	19,010,000
					<u>\$ 53,587,211</u>	<u>\$ 583,464</u>	<u>\$ 1,500,000</u>	<u>\$ 52,670,675</u>

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2035 as follows:

Fiscal Year	Including Accreted Interest to Date	Interest to Maturity	Accreted Interest	Total
2016	\$ 1,345,000	\$ 2,239,733	\$ -	\$ 3,584,733
2017	1,496,283	2,201,189	13,717	3,711,189
2018	1,655,952	2,160,233	34,048	3,850,233
2019	1,814,052	2,114,464	60,948	3,989,464
2020	1,975,052	2,063,639	94,948	4,133,639
2021-2025	14,555,907	8,829,142	514,093	23,899,142
2026-2030	12,974,957	6,210,463	9,865,043	29,050,463
2031-2035	16,853,472	3,539,188	3,746,529	24,139,189
Total	<u>\$ 52,670,675</u>	<u>\$ 29,358,051</u>	<u>\$ 14,329,326</u>	<u>\$ 96,358,052</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$2,034,861.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$3,046,762, and contributions made by the District during the year were \$1,510,957. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$498,997 and (\$522,784), respectively, which resulted in an increase to the net OPEB obligation of \$1,512,018. As of June 30, 2015, the net OPEB obligation was \$11,491,961. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Claims Liability

The District is self-insured against claims for workers' compensation injuries. Under the program, the District provides coverage up to \$250,000 for each workers' compensation claim. The liability as of June 30, 2015, totaling \$992,611, represents the claims obligation as established by the actuarial study performed by a third party.

Workers' Compensation Assessment

The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2015, the District's outstanding obligation for their pro-rata share of equity assessed was \$294,699.

Supplemental Early Retirement Plan (SERP)

The District adopted a Supplemental Early Retirement Plan (SERP), whereby certain eligible employees are provided an annuity through Public Agency Retirement Services (PARS) to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). As of June 30, 2015, the liability was paid in full.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 75,000	\$ 36,550	\$ 111,550
Stores inventories	203,767	237,401	441,168
Prepaid expenditures	36,938	-	36,938
Total Nonspendable	315,705	273,951	589,656
Restricted			
Legally restricted programs	5,755,961	8,013,501	13,769,462
Capital projects	-	8,515,094	8,515,094
Debt services	-	4,377,381	4,377,381
Total Restricted	5,755,961	20,905,976	26,661,937
Committed			
Deferred maintenance program	-	20,240	20,240
Assigned			
Capital projects	-	10,498,288	10,498,288
Board policy reserve	31,487,435	-	31,487,435
Postemployment benefits	7,889,132	-	7,889,132
Deferred maintenance	3,477,486	-	3,477,486
Targeted program carryover	1,663,062	-	1,663,062
Technology replacement carryover	1,347,172	-	1,347,172
Site donation carryover	209,935	-	209,935
Site discretionary carryover	2,596,570	-	2,596,570
Additional CSR replacement	790,000	-	790,000
Technology replacement	2,100,000	-	2,100,000
Unfunded pension obligation	5,546,361	-	5,546,361
Budget stabilization account	2,247,463	-	2,247,463
Total Assigned	59,354,616	10,498,288	69,852,904
Unassigned			
Reserve for economic uncertainties	6,747,307	-	6,747,307
Total	\$ 72,173,589	\$ 31,698,455	\$ 103,872,044

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The District offers medical, dental, vision and life insurance benefits to its employees, retirees and their dependents. With limited exceptions, the District only pays the cost of single party medical benefits for retirees, with any additional benefits paid at the retiree's option. Upon retirement and after reaching the age 55 (or earlier if receiving a disability pension under CalSTRS or CalPERS) and completing at least 10 years of service, the District will contribute on the retiree's behalf an amount equal to the retiree-only premium under the medical plan option selected by the employee. For classified employees the District contribution is limited to the Kaiser HMO option 1 retiree premium. Benefits will continue for those retirees until they reach age 65. Membership of the Plan consists of 259 retirees currently receiving benefits, 38 terminated Plan members entitled to but not yet receiving benefits, and 2,043 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 Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$1,510,957 to the Plan, all of which was used for current premiums (approximately 89 percent of total premiums). Plan members receiving benefits contributed \$178,101, or approximately 11 percent, of the total 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	\$ 3,046,762
Interest on net OPEB obligation	498,997
Adjustment to annual required contribution	(522,784)
Annual OPEB cost (expense)	<u>3,022,975</u>
Contributions made	<u>(1,510,957)</u>
Increase in net OPEB obligation	1,512,018
Net OPEB obligation, beginning of year	9,979,943
Net OPEB obligation, end of year	<u><u>\$ 11,491,961</u></u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,920,724	\$ 1,694,366	58%	\$ 8,374,392
2014	2,927,730	1,322,179	45%	9,979,943
2015	3,022,975	1,510,957	50%	11,491,961

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 1, 2014	\$ 8,241,488	\$ 27,993,743	\$ 19,752,255	29%	\$ 147,474,155	13%

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

Actuarial Methods and Assumptions

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

In the November 1, 2014, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a five percent investment rate of return based on the actuary's best estimate of expected long-term plan experience. Healthcare cost trend rates were based the actuaries analysis of recent District experience and knowledge of the general health care environment. The UAAL is being amortized at a level dollar amount over 30 years on an open basis. The actuarial value of plan assets is \$8,241,488 as of June 30, 2015. The District has established two accounts with Public Agency Retirement Services (PARS) for the express purpose of pre-funding retiree health care benefits, although no contributions to the plan were made during the current fiscal year.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2015, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), a public entity risk pool, for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

Workers' Compensation

The District's workers' compensation risks are financed on a combination of self-insured and risk transfer basis.

In the current fiscal year, the District participated in Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers agency. The intent of which is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all participants. Each participant pays its workers' compensation premium based on its individual rate. Participation in ASCIP is limited to districts that can meet ASCIP's selection criteria.

In prior years, the District established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Activity and related claims liability for these claims is recorded in an Internal Service Fund.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Employee Medical Benefits

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

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund 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, 2013 to June 30, 2015:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2013	\$ 2,647,000	\$ 204,672	\$ 2,851,672
Claims and changes in estimates	(666,891)	189,210	(477,681)
Claims payments	(287,109)	(259,995)	(547,104)
Liability Balance, June 30, 2014	1,693,000	133,887	1,826,887
Claims and changes in estimates	(409,834)	74,419	(335,415)
Claims payments	(372,781)	(126,080)	(498,861)
Liability Balance, June 30, 2015	\$ 910,385	\$ 82,226	\$ 992,611
Assets available to pay claims at June 30, 2015	\$ 2,144,438	\$ 541,416	\$ 2,685,854

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 12 – 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 120,833,772	\$ 9,753,050	\$ 29,755,086	\$ 10,431,856
CalPERS	33,902,574	5,409,651	11,649,304	3,013,246
Total	<u>\$ 154,736,346</u>	<u>\$ 15,162,701</u>	<u>\$ 41,404,390</u>	<u>\$ 13,445,102</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, 2013, 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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were \$9,753,050.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

At June 30, 2015, 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	\$	120,833,772
State's proportionate share of the net pension liability associated with the District		<u>72,964,648</u>
Total	\$	<u><u>193,798,420</u></u>

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.2068 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$10,431,856. In addition, the District recognized revenue and pension expense of \$6,299,205 for support provided by the State. At June 30, 2015, 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	\$ 9,753,050	\$ -
Difference between projected and actual earnings on pension plan investments	-	29,755,086
Total	<u><u>\$ 9,753,050</u></u>	<u><u>\$ 29,755,086</u></u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 7,438,772
2017	7,438,772
2018	7,438,772
2019	7,438,770
Total	<u>\$ 29,755,086</u>

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 188,348,249
Current discount rate (7.60%)	120,833,772
1% increase (8.60%)	64,538,968

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, 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	11.771%	11.771%

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, are presented above and the total District contributions were \$4,242,128.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,902,574. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.2986 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,013,246. At June 30, 2015, 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	\$ 4,242,128	\$ -
Net change in proportionate share of net pension liability	1,167,523	-
Difference between projected and actual earnings on pension plan investments	-	11,649,304
Total	<u>\$ 5,409,651</u>	<u>\$ 11,649,304</u>

The deferred outflow 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 year ended June 30, 2016.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the 2013-2014 measurement period is 3.9 years, and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 389,174
2017	389,174
2018	389,175
Total	<u>\$ 1,167,523</u>

The deferred inflow 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,	Amortization
2016	\$ 2,912,326
2017	2,912,326
2018	2,912,326
2019	2,912,326
Total	<u>\$ 11,649,304</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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 (6.50%)	\$ 59,472,853
Current discount rate (7.50%)	33,902,574
1% increase (8.50%)	12,536,027

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Alternative Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement System (PARS) to act as their administrators and Union Bank of California to act as trustee and investment manager for the District's alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$99,790.

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 \$5,566,593 (5.679 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 13 – 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, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Elderberry Relo AE09	\$ 17,450	09/01/15
District Wide Install White Brd/Proj AE88	145,172	09/01/15
El Camino Restroom Convers AE80	22,500	11/01/15
Marquees 22 Site AE57	429,653	11/01/15
Lincoln Pool Lift AE82	17,450	02/29/16
NGM Fire Prevention Improvement AE63	918,000	08/31/16
Prop 39 Energy Savings Projects AE61	424,000	07/31/20
	<u>\$ 1,974,225</u>	

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2015, the District made payments of \$20,618,684 and \$3,216,727 to SCSEBA and ASCIP, respectively.

NOTE 15 – RELATED PARTY TRANSACTION

In August 2011, the District entered into a contract of employment with the Superintendent of the District. The contract included a loan for down payment on a house in the amount of \$100,000. The loan bears a simple interest rate of five percent on the principal balance, which is waived for each year of service provided to the District. Additionally, the loan principal is reduced by \$10,000 for each year of service provided to the District. As of June 30, 2015, the outstanding balance on the loan was \$60,000.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 270,634,576
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(192,166,149)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	11,185,143
Net Position - Beginning, as Restated	<u><u>\$ 89,653,570</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 168,548,811	\$ 170,737,948	\$ 171,354,387	\$ 616,439
Federal sources	13,569,269	17,070,874	14,769,153	(2,301,721)
Other State sources	14,112,716	18,695,459	24,104,893	5,409,434
Other local sources	13,420,675	14,213,940	14,705,692	491,752
Total Revenues ¹	209,651,471	220,718,221	224,934,125	4,215,904
EXPENDITURES				
Current				
Certificated salaries	109,179,325	118,573,985	113,372,678	5,201,307
Classified salaries	29,756,397	32,479,350	32,779,223	(299,873)
Employee benefits	40,814,719	47,645,201	47,554,979	90,222
Books and supplies	16,936,748	19,936,484	11,804,142	8,132,342
Services and operating expenditures	20,527,385	25,047,302	22,535,872	2,511,430
Other outgo	(281,898)	157,211	(244,354)	401,565
Capital outlay	1,329,181	1,565,170	572,951	992,219
Total Expenditures ¹	218,261,857	245,404,703	228,375,491	17,029,212
Excess (Deficiency) of Revenues				
Over Expenditures	(8,610,386)	(24,686,482)	(3,441,366)	21,245,116
Other Financing (Uses)				
Transfers in	967,821	967,821	71,242	(896,579)
Transfers out	(1,782,494)	(3,053,606)	(3,386,196)	(332,590)
Net Financing (Uses)	(814,673)	(2,085,785)	(3,314,954)	(1,229,169)
NET CHANGE IN FUND BALANCE	(9,425,059)	(26,772,267)	(6,756,320)	20,015,947
Fund Balance - Beginning	78,929,909	78,929,909	78,929,909	-
Fund Balance - Ending	\$ 69,504,850	\$ 52,157,642	\$ 72,173,589	\$ 20,015,947

¹ On behalf payments of \$5,566,593 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 Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2011	\$ 6,545,733	\$ 27,169,592	\$ 20,623,859	24%	\$ 125,056,457	16%
November 1, 2012	8,087,991	26,543,523	18,455,532	30%	133,959,428	14%
November 1, 2014	8,241,488	27,993,743	19,752,255	29%	147,474,155	13%

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.2068%</u>
District's proportionate share of the net pension liability	\$ 120,833,772
State's proportionate share of the net pension liability associated with the District	<u>72,964,648</u>
Total	<u><u>\$ 193,798,420</u></u>
District's covered - employee payroll	<u>\$ 102,526,352</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>118%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability	<u>0.2986%</u>
District's proportionate share of the net pension liability	<u>\$ 33,902,574</u>
District's covered - employee payroll	<u>\$ 31,433,076</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 9,753,050
Contributions in relation to the contractually required contribution	<u>9,753,050</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 109,831,644</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 4,242,128
Contributions in relation to the contractually required contribution	<u>4,242,128</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 36,041,869</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.77%</u>

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

SUPPLEMENTARY INFORMATION

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education:			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14329	\$ 7,283,045
Title II, Part A, Improving Teacher Quality	84.367	14341	1,751,128
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	984,546
Title IV, Part B, 21st Century Community Centers Learning Program	84.287	14349	183,471
Title X, McKinney-Vento Homeless Children Assistance	84.196	14332	151,707
Passed through West End Special Education Local Plan:			
Individuals with Disabilities Education Act (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,825,760
Total U.S. Department of Education			<u>13,179,657</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	1,694,254
Passed through CDE:			
Federal Child Care, Center-Based	93.596	13609	121,092
Passed through County of San Bernardino Human Services System:			
Head Start	93.600	14.646	<u>177,129</u>
Total U.S. Department of Health and Human Services			<u>1,992,475</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	8,060,467
Especially Needy School Breakfast Program	10.553	13390	2,187,920
Commodities	10.555	13396	766,354
Summer Lunch Program	10.559	13004	<u>132,195</u>
Subtotal Child Nutrition Cluster			<u>11,146,936</u>
Child and Adult Care Food Program	10.558	13666	1,435,385
Passed through County of San Bernardino Human Services System:			
Child and Adult Care Food Program	10.558	14.646	<u>1,811</u>
Total U.S. Department of Agriculture			<u>12,584,132</u>
Total Expenditures of Federal Awards			<u>\$ 27,756,264</u>

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Maureen Mendoza	President	2016
Samuel L. Crowe	Vice President	2018
Alfanzo Sanchez	Clerk	2018
Elvia M. Rivas	Member	2018
Michael C. Flores	Member	2018

ADMINISTRATION

Dr. James Q. Hammond	Superintendent
Phil Hillman	Chief Business Official
Dr. Guy Roubian	Assistant Superintendent, Human Resources
Cynthia Byrd	Assistant Superintendent, Learning and Teaching

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	9,908.67	9,878.72
Fourth through sixth	7,274.59	7,259.86
Seventh and eighth	4,597.75	4,579.04
Total Regular ADA	21,781.01	21,717.62
Extended Year Special Education		
Transitional kindergarten through third	-	7.17
Fourth through sixth	-	6.54
Seventh and eighth	-	3.97
Total Extended Year Special Education	-	17.68
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	6.31	6.64
Fourth through sixth	12.70	12.85
Seventh and eighth	10.19	9.22
Total Special Education, Nonpublic, Nonsectarian Schools	29.20	28.71
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.43	0.12
Fourth through sixth	1.06	0.56
Seventh and eighth	1.25	0.82
Total Community Day School	2.74	1.50
Total ADA	21,812.95	21,765.51

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	40,455	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			54,815	180	N/A	Complied
Grade 2			54,815	180	N/A	Complied
Grade 3			54,815	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,010	180	N/A	Complied
Grade 5			55,010	180	N/A	Complied
Grade 6			54,106	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			54,106	180	N/A	Complied
Grade 8			54,106	180	N/A	Complied

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 245,179,257	\$ 224,883,528	\$ 204,952,543	\$ 188,275,488
Other sources and transfers in	-	1,039,063	2,527,869	967,820
Total Revenues and Other Sources	245,179,257	225,922,591	207,480,412	189,243,308
Expenditures	225,161,218	228,375,492	205,481,445	189,140,656
Other uses and transfers out	18,795,127	2,153,605	3,289,441	4,322,034
Total Expenditures and Other Uses	243,956,345	230,529,097	208,770,886	193,462,690
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,222,912	\$ (4,606,506)	\$ (1,290,474)	\$ (4,219,382)
ENDING FUND BALANCE	\$ 62,029,883	\$ 60,806,971	\$ 65,413,477	\$ 66,703,951
AVAILABLE RESERVES ²	\$ 7,829,944	\$ 6,747,307	\$ 54,132,900	\$ 53,618,877
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.21%	3.00%	26.6%	28.4%
LONG-TERM OBLIGATIONS	N/A	\$ 68,409,197	\$ 69,587,512	\$ 69,785,366
K-12 AVERAGE DAILY ATTENDANCE AT P-2	21,548	21,813	22,145	22,113

The General Fund balance has decreased by \$5,896,980 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$1,222,912 (2 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 all of the past three years and anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$1,376,169 over the past two years.

Average daily attendance has decreased by 300 over the past two years. In addition, a decline of 265 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$5,566,593, \$5,072,745, and \$4,955,033 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

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

See accompanying note to supplementary information.

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ONTARIO-MONTCLAIR SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
ASSETS				
Deposits and investments	\$ 280,222	\$ 7,952,883	\$ 256,660	\$ 48
Receivables	24,321	1,179,506	391	9
Due from other funds	215,647	5,991	-	-
Stores inventories	-	237,401	-	-
Total Assets	\$ 520,190	\$ 9,375,781	\$ 257,051	\$ 57
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 105,252	\$ 146,587	\$ 235,971	-
Due to other funds	412,590	877,854	840	57
Unearned revenue	1,570	64,666	-	-
Total Liabilities	519,412	1,089,107	236,811	57
Fund Balances:				
Nonspendable	-	273,951	-	-
Restricted	778	8,012,723	-	-
Committed	-	-	20,240	-
Assigned	-	-	-	-
Total Fund Balances	778	8,286,674	20,240	-
Total Liabilities and Fund Balances	\$ 520,190	\$ 9,375,781	\$ 257,051	\$ 57

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,477,726	\$ 7,470,755	\$ 10,942,354	\$ 4,377,381	\$ 32,758,029
1,000	6,663	9,218	-	1,221,108
-	-	300,057	-	521,695
-	-	-	-	237,401
<u>\$ 1,478,726</u>	<u>\$ 7,477,418</u>	<u>\$ 11,251,629</u>	<u>\$ 4,377,381</u>	<u>\$ 34,738,233</u>
\$ 441,050	\$ -	\$ 329,307	\$ -	\$ 1,258,167
-	-	424,034	-	1,715,375
-	-	-	-	66,236
<u>441,050</u>	<u>-</u>	<u>753,341</u>	<u>-</u>	<u>3,039,778</u>
-	-	-	-	273,951
1,037,676	7,477,418	-	4,377,381	20,905,976
-	-	-	-	20,240
-	-	10,498,288	-	10,498,288
<u>1,037,676</u>	<u>7,477,418</u>	<u>10,498,288</u>	<u>4,377,381</u>	<u>31,698,455</u>
<u>\$ 1,478,726</u>	<u>\$ 7,477,418</u>	<u>\$ 11,251,629</u>	<u>\$ 4,377,381</u>	<u>\$ 34,738,233</u>

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
REVENUES				
Federal sources	\$ 121,092	\$ 12,582,321	\$ -	\$ -
Other State sources	2,056,651	877,469	-	-
Other local sources	1,444	232,056	3,221	631
Total Revenues	2,179,187	13,691,846	3,221	631
EXPENDITURES				
Current				
Instruction	2,005,467	-	-	-
Instruction-related activities:				
Supervision of instruction	103,220	-	-	-
School site administration	178,784	-	-	-
Pupil services:				
Food services	-	13,068,601	-	-
All other pupil services	5,000	-	-	-
Administration:				
All other administration	101,336	573,186	-	-
Plant services	207	705,625	1,009,639	-
Facility acquisition and construction	-	-	291,171	45,653
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	2,394,014	14,347,412	1,300,810	45,653
Excess (Deficiency) of				
Revenues Over Expenditures	(214,827)	(655,566)	(1,297,589)	(45,022)
Other Financing Sources (Uses)				
Transfers in	215,605	137,115	-	-
Transfers out	-	-	(208,357)	-
Net Financing Sources	215,605	137,115	(208,357)	-
NET CHANGE IN FUND BALANCES	778	(518,451)	(1,505,946)	(45,022)
Fund Balances - Beginning	-	8,805,125	1,526,186	45,022
Fund Balances - Ending	\$ 778	\$ 8,286,674	\$ 20,240	\$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 12,703,413
-	-	-	22,879	2,956,999
1,521,623	28,848	506,560	3,509,786	5,804,169
1,521,623	28,848	506,560	3,532,665	21,464,581
-	-	-	-	2,005,467
-	-	-	-	103,220
-	-	-	-	178,784
-	-	-	-	13,068,601
-	-	-	-	5,000
-	-	-	-	674,522
496,819	-	659,836	-	2,872,126
53,622	-	456,081	-	846,527
-	-	-	1,500,000	1,500,000
-	-	-	2,284,889	2,284,889
550,441	-	1,115,917	3,784,889	23,539,136
971,182	28,848	(609,357)	(252,224)	(2,074,555)
-	-	2,153,591	-	2,506,311
-	-	-	-	(208,357)
-	-	2,153,591	-	2,297,954
971,182	28,848	1,544,234	(252,224)	223,399
66,494	7,448,570	8,954,054	4,629,605	31,475,056
\$ 1,037,676	\$ 7,477,418	\$ 10,498,288	\$ 4,377,381	\$ 31,698,455

ONTARIO-MONTCLAIR SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 14,769	6.6	\$ 14,759	7.2	\$ 17,352	9.2
State and local revenue included in local control funding formula	171,354	76.2	148,003	72.2	112,156	59.6
Other State revenue	24,105	10.7	24,536	12.0	44,791	23.8
Other local revenue	2,241	1.0	5,041	2.5	2,248	1.2
Tuition and transfers in	12,415	5.5	12,613	6.1	11,728	6.2
Total Revenues	224,884	100.0	204,952	100.0	188,275	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	113,373	50.4	103,552	50.5	98,141	52.1
Classified salaries	32,779	14.6	28,181	13.7	26,389	14.0
Employee benefits	47,555	21.1	40,401	19.7	39,553	21.0
Total Salaries and Benefits	193,707	86.1	172,134	83.9	164,083	87.1
Books and supplies	11,804	5.2	10,497	5.2	4,900	2.6
Contracts and operating expenses	22,536	10.0	20,217	9.8	19,909	10.6
Capital outlay	573	0.3	2,323	1.1	368	0.2
Other outgo	(245)	(0.1)	311	0.2	(120)	(0.1)
Total Expenditures	228,375	101.5	205,482	100.2	189,140	100.4
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,491)	(1.5)	(530)	(0.2)	(865)	(0.4)
OTHER FINANCING (USES)						
Operating transfers in	1,039	0.5	2,528	1.2	968	0.5
Operating transfers out	(2,154)	(1.0)	(3,289)	(1.6)	(4,322)	(2.3)
Total Other Financing (Uses)	(1,115)	(0.5)	(761)	(0.4)	(3,354)	(1.8)
INCREASE (DECREASE) IN FUND BALANCE	(4,606)	(2.0)	(1,291)	(0.6)	(4,219)	(2.2)
FUND BALANCE, BEGINNING	65,413		66,704		70,923	
FUND BALANCE, ENDING	<u>\$ 60,807</u>		<u>\$ 65,413</u>		<u>\$ 66,704</u>	

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 12,582	91.9	\$ 12,357	88.1	\$ 11,313	89.9
State meal program	877	6.4	838	6.0	862	6.8
Food sales	196	1.4	244	1.7	319	2.5
Other	37	0.3	598	4.2	98	0.8
Total Revenues	13,692	100.0	14,037	100.0	12,592	100.0
EXPENDITURES						
Salaries and employee benefits	6,278	45.9	5,690	40.5	4,504	35.8
Food	6,369	46.5	6,447	45.9	5,442	43.2
Supplies	577	4.2	991	7.1	1,071	8.5
Other	1,123	8.2	2,278	16.2	2,083	16.5
Total Expenditures	14,347	104.8	15,406	109.7	13,100	104.0
INCREASE IN FUND BALANCE	(655)	(4.8)	(1,369)	(9.7)	(508)	(4.0)
OTHER FINANCING SOURCES						
Operating transfers in	137	1.0	-	-	-	0.0
INCREASE IN FUND BALANCE	(518)	(3.8)	(1,369)	(9.7)	(508)	(4.0)
FUND BALANCE, BEGINNING	8,805		10,174		10,682	
FUND BALANCE, ENDING	\$ 8,287		\$ 8,805		\$ 10,174	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	263,216	9.1	263,077	8.8	259,379	8.5
Reduced price	263,783	9.1	264,005	8.8	286,938	9.4
Free	2,373,848	81.8	2,467,862	82.4	2,514,279	82.1
Total Lunches	2,900,847	100.0	2,994,944	100.0	3,060,596	100.0
BREAKFAST						
Paid	115,471	9.4	103,093	9.0	95,813	8.7
Reduced price	91,540	7.5	81,256	7.1	82,665	7.5
Free	1,016,052	83.1	965,320	83.9	924,320	83.8
Total Breakfast	1,223,063	100.0	1,149,669	100.0	1,102,798	100.0

See accompanying note to supplementary information.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that were recorded in the prior period as revenues and were unspent. These amounts were expended as of June 30, 2015.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 27,472,566
Medi-Cal Billing Option	93.778	283,698
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,756,264</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

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

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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
Ontario-Montclair School District
Ontario, 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 Ontario-Montclair School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ontario-Montclair School District's basic financial statements, and have issued our report thereon dated December 6, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ontario-Montclair 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 Ontario-Montclair School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontario-Montclair 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 Ontario-Montclair School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ontario-Montclair School District in a separate letter dated December 6, 2015.

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.

Vavrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Ontario-Montclair School District
Ontario, California

Report on Compliance for Each Major Federal Program

We have audited Ontario-Montclair School District's (the District) compliance with the types of compliance requirement described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ontario-Montclair School District's major Federal programs for the year ended June 30, 2015. Ontario-Montclair School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ontario-Montclair 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Ontario-Montclair 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 Ontario-Montclair School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ontario-Montclair 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, 2015.

Report on Internal Control Over Compliance

Management of Ontario-Montclair 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 Ontario-Montclair 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 OMB Circular A-133, 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 Ontario-Montclair 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinck, Irino, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Ontario-Montclair School District
Ontario, California

Report on State Compliance

We have audited Ontario-Montclair School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 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 Ontario-Montclair School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of Ontario-Montclair 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 *2014-2015 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 Ontario-Montclair 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 Ontario-Montclair School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Ontario-Montclair 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, 2015.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	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

We did not perform testing for Independent Study because ADA was below the required threshold for testing.

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

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

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

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

The District is an elementary school district and does not have a Regional Occupational Center or Program; therefore, we did not perform procedures related to the Regional Occupational Centers or Programs Maintenance of Effort.

The District is an elementary school district and does not have an Adult Education Program; therefore, we did not perform procedures related to the Adult Education Maintenance of Effort.

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

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

Vavrinek, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2015

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 .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.365</u>	<u>Title III, Limited English Proficient (LEP) Student Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 832,688</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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ONTARIO-MONTCLAIR SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Federal Awards Findings

2014-001 50000

Federal Program Affected

Program Name: Medi-Cal Billing Option

CFDA Number: 93.778

Pass-Through Entity: California Department of Health Care Services

Federal Agency: U.S. Department of Health and Human Services

Criteria or Specific Requirements

OMB Circular A-87 Cost Principles as governed by Title 2, Code of Federal Regulations, Part 225, Appendix B, Item 15(b)(1) and (3) states that (1) capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency; and (3) capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

Condition

The District expended Medi-Cal Billing Option Funds on capital expenditures that were not preapproved by California Department of Health Care Services (DHCS). The District spent \$71,242 on capital expenditures that were not preapproved.

Questioned Costs

A total of \$71,242 in questioned costs was identified as a result of the condition identified above.

Context

The condition was identified as a result of the auditor's review of the Medi-Cal Billing Option program expenditures and related invoices, and inquiry of categorical program personnel.

Effect

As a result, capital improvements totaling \$71,242 were not preapproved as required.

ONTARIO-MONTCLAIR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Cause

The condition identified appears to have materialized as a result of the District expending funds on capital expenditures that were not preapproved by DHCS.

Recommendation

The District should update procedures to ensure that any capital expenditure made with Federal monies is preapproved by the awarding agency prior to the purchase.

Current Status

Implemented.



Governing Board
Ontario-Montclair School District
Ontario, California

In planning and performing our audit of the financial statements of Ontario-Montclair School District for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2015, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Non-Payroll Disbursements

Observation

Three out of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursement procedures require multiple levels of approval depending on the nature of the disbursement. One of those approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and availability of funds.

ASSOCIATED STUDENT BODY

El Camino Elementary School

Observation

All of the cash receipts (159 total) tested were not deposited in a timely manner. Delay in deposit ranged from approximately 42 to 104 days from the date of receipt. This could result in large cash balances being maintained at the site which can hinder the safeguarding of ASB assets.

Recommendation

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

Vineyard Elementary School

Observation

Seven out of 17 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 15 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

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

Oaks Middle School

Observation

Fourteen out of 90 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 34 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

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

Observation

Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the Recap Sheet for Student Body Fund Deposits. Five out of 90 receipts tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact.

Recommendation

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

Observation

Two out of 14 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds.

Recommendation

In order to ensure proper internal controls over disbursements, the site should ensure that all disbursement transactions are pre-approved by the student body. This would allow the student body to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Observation

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

Recommendation

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.

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

Vavrinik, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2015

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Ontario-Montclair School District (the “District”) in connection with the issuance of \$23,050,000 of the District’s 2016 General Obligation Refunding Bonds, Series A and the District’s 2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding) (together, the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Trustees of the District adopted on June 2, 2016 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Applied Best Practices LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated as of July 14, 2016 and relating to the Bonds.

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2015-16 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) summary description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited general fund figures as of the last completed fiscal year;
- (b) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

- (c) If San Bernardino County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections and delinquencies for the District for the most recently completed fiscal year from the County;
- (d) Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value, if material..

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. optional, contingent or unscheduled Bond calls.
4. defeasances.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by

the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August 11, 2016

ONTARIO-MONTCLAIR SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: ONTARIO-MONTCLAIR SCHOOL DISTRICT

Name of Bond Issue: 2016 General Obligation Refunding Bonds, Series A

2016 General Obligation Refunding Bonds, Series B (2019 Crossover Refunding)

Date of Issuance: August 11, 201 6

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

ONTARIO-MONTCLAIR SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF ONTARIO, THE CITY OF MONTCLAIR, AND SAN BERNARDINO COUNTY

The following information regarding the City of Ontario (“Ontario”), the City of Montclair (“Montclair,” and together with Ontario, the “Cities”), and San Bernardino County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Financial Advisor.

General

The City of Ontario. Ontario was founded in 1882, incorporated in 1891, and is located in southwestern San Bernardino County, 35 miles east of downtown Los Angeles. Located in the western part of the Inland Empire region, it lies just east of the Los Angeles county line and is part of the Greater Los Angeles Area. Ontario is home to the LA/Ontario International Airport, which is the 15th busiest cargo airport in the United States. Ontario handles the mass of freight traffic between the ports of Los Angeles and Long Beach and the rest of the country. It is also the home of Ontario Mills and former home of the Ontario Motor Speedway. Ontario operates under the council-manager form of government. The mayor and four council members are elected at large and serve four-year staggered terms.

The City of Montclair. Montclair is a city in the Pomona Valley and part of the Inland Empire region, in southwestern San Bernardino County, California. Montclair is bordered by Pomona to the west, Claremont and Upland to the north, Ontario to the east, and Chino to the south. Montclair was incorporated on April 25, 1956 and its the current land area is 5.33 square miles. The San Bernardino Freeway (I-10) runs through the northern part of the city. The City Council governs Montclair; it is made up of five elected officials, including the Mayor, each serving staggered four-year terms. The City Manager is appointed by the City Council and has the chief administrative responsibilities for the city.

San Bernardino County. The County is located in the southern portion of the State of California (the “State”). The County is bordered by the State of Nevada and the State of Arizona to the east, Riverside County to the south, Inyo County to the north, and Kern, Los Angeles and Orange Counties to the west. It is the fifth most populous county in the State and the twelfth most populous in the United States. The County has an area of 20,160 square miles, with more than three-quarters of the area vacant and covered by desert, forest and mountain ranges. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853. The County seat is the city of San Bernardino.

Population

The following table shows historical population figures for the Cities, the County and the State for the past ten years.

POPULATION ESTIMATES
City of Ontario, City of Montclair, San Bernardino County, and State of California
2007 through 2016

<u>Year</u> ⁽¹⁾	<u>City of</u> <u>Ontario</u>	<u>City of</u> <u>Montclair</u>	<u>San Bernardino</u> <u>County</u>	<u>State of</u> <u>California</u>
2007	164,175	35,732	1,989,690	36,399,676
2008	163,951	36,007	2,009,594	36,704,375
2009	163,309	36,057	2,019,432	36,966,713
2010 ⁽²⁾	163,924	36,664	2,035,210	37,253,956
2011	165,396	37,033	2,054,735	37,536,835
2012	165,974	37,125	2,070,374	37,881,357
2013	166,114	37,139	2,086,559	38,239,207
2014	166,820	37,244	2,100,700	38,567,459
2015	168,177	38,332	2,121,088	38,907,642
2016	169,869	38,686	2,139,570	39,255,883

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2007-09, 2011-16 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

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Income

The following table shows per capita personal income for the County, the State of California and United States for the past ten years.

PER CAPITA PERSONAL INCOME
San Bernardino County, State of California and the United States
2006 through 2015

<u>Year</u>	<u>San Bernardino</u> <u>County</u>	<u>State of California</u>	<u>United States</u>
2006	\$28,489	\$41,693	\$38,144
2007	29,352	43,182	39,821
2008	30,017	43,786	41,082
2009	29,144	41,588	39,376
2010	29,314	42,411	40,277
2011	30,491	44,852	42,453
2012	31,064	47,614	44,266
2013	31,683	48,125	44,438
2014	32,892	49,985	46,049
2015 ⁽¹⁾	--	52,651	47,669

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

⁽¹⁾ Annual 2015 county data is not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables show the principal employers in Ontario and the County by number of employees. Information regarding principal employers within Montclair is not currently available.

PRINCIPAL EMPLOYERS City of Ontario 2015

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Ontario International Airport	Transportation By Air	5,000 to 9,999
Safariland LLC	Manufacturing: Fabricated Metal Products	500 to 999
Sam's Club Distribution Center	Wholesale Trade-durable Goods	500 to 999
Securitas Security Services USA	Security Services	500 to 999
Target Distribution Center	Wholesale Trade-durable Goods	500 to 999
UPS Regional Air Hub	Transportation Services	500 to 999
Argosy University-Inland Empire	Educational Services	250-499
Autozone Distribution Center	Wholesale Trade-durable Goods	250-499
Barrett Business Services Inc.	Business Services	250-499
BMW of Ontario	Retail Trade: Automotive Dealers	250-499

Source: City of Ontario 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2015.

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PRINCIPAL EMPLOYERS
San Bernardino County
2015

<u>Company</u>	<u>Description</u>	<u>Employees</u>
County of San Bernardino	Public Administration	19,000
Stater Bros. Market	Retail Trade: Food Stores	18,221
U.S. Army, Fort Irwin and National Training Center	National Security	13,805
Loma Linda University	Educational Services	13,805
U.S. Marine Corps Air Ground Combat Center	National Security	12,486
United Parcel Service	Transportation of Freight and Cargo	8,600
San Bernardino City Unified School District	Educational Services	8,574
Ontario International Airport	Transportation by Air	7,695
Loma Linda University Medical Center	Health Services	6,147
Kaiser Permanente (Fontana only)	Insurance Agents, Brokers, and Service	6,000

Source: "Comprehensive Annual Financial Report" of San Bernardino County, California for the fiscal year ended June 30, 2015, noted "Due to the unavailability of fiscal year 2015 and 2014 data, fiscal year 2013 data was used instead."

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2011 through 2015 for the Cities, the County, the State and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE **City of Ontario, City of Montclair, San Bernardino County, State of California and United States** **2011 through 2015⁽¹⁾**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate (%)</u>
<u>2011</u>				
City of Ontario	79,000	68,800	10,200	12.9
City of Montclair	17,400	15,500	1,900	11.0
San Bernardino County	855,400	741,100	114,300	13.4
State of California	18,415,100	16,258,100	2,157,000	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Ontario	79,400	70,300	9,100	11.5
City of Montclair	17,500	15,800	1,700	9.7
San Bernardino County	860,900	758,000	103,000	12.0
State of California	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of Ontario	79,700	71,900	7,800	9.8
City of Montclair	17,800	16,300	1,500	8.3
San Bernardino County	865,100	778,100	87,000	10.1
State of California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of Ontario	80,600	74,100	6,500	8.0
City of Montclair	18,100	16,900	1,200	6.8
San Bernardino County	911,400	838,200	73,200	8.0
State of California	18,827,900	17,418,000	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of Ontario	82,000	76,700	5,300	6.5
City of Montclair	18,500	17,400	1,000	5.5
San Bernardino County	926,600	866,800	59,800	6.5
State of California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2016 Benchmark

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the calendar years 2011 through 2015. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES Riverside-San Bernardino-Ontario MSA 2011 through 2015

<u>Category</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	14,900	15,000	14,500	14,400	15,100
Total Nonfarm	1,154,500	1,185,200	1,233,300	1,289,300	1,347,400
Total Private	927,000	960,600	1,008,100	1,060,500	1,114,000
Goods Producing	145,200	150,500	158,600	170,200	182,100
Mining and Logging	1,000	1,200	1,200	1,300	1,300
Construction	59,100	62,600	70,000	77,600	85,200
Manufacturing	85,100	86,700	87,300	91,300	95,600
Durable Goods	55,800	56,900	57,300	60,200	62,800
Nondurable Goods	29,300	29,800	30,100	31,100	32,800
Service Providing	1,009,300	1,034,700	1,074,700	1,119,100	1,165,200
Private Service Producing	781,800	810,100	849,600	890,300	931,900
Trade, Transportation and Utilities	275,600	287,600	299,700	314,900	332,500
Wholesale Trade	49,200	52,200	56,400	58,900	61,700
Retail Trade	158,500	162,400	164,800	169,400	173,500
Transportation, Warehousing and Utilities	67,900	73,000	78,400	86,600	97,300
Information	12,200	11,700	11,500	11,300	11,300
Financial Activities	39,500	40,200	41,300	42,300	43,200
Professional and Business Services	126,000	127,500	132,400	139,300	144,400
Educational and Health Services	165,400	173,600	187,600	194,800	205,000
Leisure and Hospitality	124,000	129,400	135,900	144,800	151,500
Other Services	39,100	40,100	41,100	43,000	44,000
Government	<u>227,500</u>	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,400</u>
Total, All Industries	<u>1,169,400</u>	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,362,400</u>

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: *State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2015 Benchmark.*

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2009 through 2013 are shown in the following tables.

ANNUAL TAXABLE SALES

City of Ontario
2009 through 2013⁽¹⁾
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	3,708	\$2,881,884	5,711	\$4,616,829
2010	4,247	3,098,722	6,308	4,846,138
2011	4,344	3,363,827	6,399	5,327,248
2012	4,520	3,628,744	6,644	5,797,016
2013	4,241	3,933,584	6,386	6,127,536

Note: In 2009, retail permits expanded to include permits for food services.

⁽¹⁾ Calendar Year 2014 data is not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES

City of Montclair
2009 through 2013⁽¹⁾
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	1,427	\$742,584	1,842	\$845,411
2010	1,501	758,400	1,917	857,780
2011	1,437	810,713	1,839	913,646
2012	1,613	833,614	2,018	935,270
2013	1,637	867,462	2,036	978,252

Note: In 2009, retail permits expanded to include permits for food services.

⁽¹⁾ Calendar Year 2014 data is not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
San Bernardino County
2009 through 2013⁽¹⁾
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	31,676	\$16,330,138	45,062	\$23,652,433
2010	34,068	17,308,880	47,562	24,687,862
2011	34,140	18,736,053	47,791	27,322,980
2012	35,095	19,980,937	48,936	29,531,921
2013	32,986	21,173,875	46,632	31,177,823

Note: In 2009, retail permits expanded to include permits for food services.

⁽¹⁾ Calendar Year 2014 data is not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

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Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2011 through 2015 for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS

City of Ontario
2011 through 2015
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$11,066	\$9,550	\$31,398	\$52,952	\$83,313
Non-Residential	<u>67,859</u>	<u>55,917</u>	<u>157,944</u>	<u>88,020</u>	<u>201,268</u>
Total	\$78,925	\$65,467	\$189,342	\$140,945	\$284,581
Units					
Single Family	36	37	171	131	291
Multiple Family	<u>16</u>	<u>0</u>	<u>0</u>	<u>306</u>	<u>241</u>
Total	52	37	171	437	532

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS

City of Montclair
2011 through 2015
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$0	\$80,907	\$5,333	\$18,011	\$15,290
Non-Residential	<u>4,573</u>	<u>8,539</u>	<u>12,817</u>	<u>17,126</u>	<u>9,498</u>
Total	\$4,573	\$89,446	\$18,150	\$35,137	\$24,788
Units					
Single Family	0	0	19	10	22
Multiple Family	<u>0</u>	<u>133</u>	<u>0</u>	<u>18</u>	<u>42</u>
Total	0	133	19	28	64

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
San Bernardino County
2011 through 2015
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$281,709	\$480,704	\$666,166	\$708,471	\$1,056,572
Non-Residential	<u>353,069</u>	<u>562,616</u>	<u>768,169</u>	<u>958,267</u>	<u>1,146,722</u>
Total	\$634,778	\$1,043,320	\$1,434,335	\$1,666,738	\$2,203,294
Units					
Single Family	1,075	1,214	1,874	1,937	2,753
Multiple Family	<u>409</u>	<u>596</u>	<u>1,439</u>	<u>1,266</u>	<u>1,159</u>
Total	1,484	1,810	3,313	3,203	3,912

Note: Totals may not add to sum due to rounding.
Source: *Construction Industry Research Board.*

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APPENDIX E

SAN BERNARDINO COUNTY TREASURY POOL

The following information concerning the San Bernardino County (the “County”) Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer-Tax Collector (the “Treasurer”), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <http://www.sbcounty.gov/atc/Treasurer/>. However, the information presented on such website is not incorporated into this Official Statement by any reference

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San Bernardino County Pool Summary (as of 5/31/2016)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity At Cost	Weighted Avg. Maturity	Modified Duration
Bankers Acceptances	0.00	0.00	0.00	0.0%			
Certificates of Deposit	1,330,000,000.00	1,330,000,752.25	1,330,003,475.00	23.1%	0.75%	155	0.41
Collateralized CD	0.00	0.00	0.00	0.0%			
Commercial Paper	1,104,000,000.00	1,103,262,048.50	1,103,359,981.00	19.2%	0.58%	40	0.10
Corporate Notes	120,506,000.00	120,704,866.44	120,755,793.90	2.1%	0.78%	235	0.63
Federal Agencies	1,818,791,000.00	1,820,739,426.87	1,822,401,735.48	31.7%	0.86%	466	1.26
Money Market Funds	77,000,000.00	77,000,000.00	77,000,000.00	1.3%	0.22%	1	0.01
Municipal Debt	0.00	0.00	0.00	0.0%			
Repurchase Agreements	0.00	0.00	0.00	0.0%			
Bank Deposit Account	50,000,000.00	50,000,000.00	50,000,000.00	0.9%	0.35%	1	0.01
Joint Powers Authority	192,000,000.00	192,000,000.00	192,000,000.00	3.3%	0.47%	1	0.01
Supranationals	740,000,000.00	738,630,536.70	739,486,000.00	12.9%	1.10%	835	2.24
U.S. Treasuries	315,000,000.00	315,600,408.60	316,285,430.00	5.5%	0.81%	357	0.96
Total Securities	5,747,297,000.00	5,747,938,039.36	5,751,292,415.38	100.0%	0.78%	323	0.87
Cash Balance	37,817,113.91	37,817,113.91	37,817,113.91				
Total Investments	5,785,114,113.91	5,785,755,153.27	5,789,109,529.29				
Accrued Interest		8,771,441.15	8,771,441.15				
Total Portfolio	5,785,114,113.91	5,794,526,594.42	5,797,880,970.44				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.

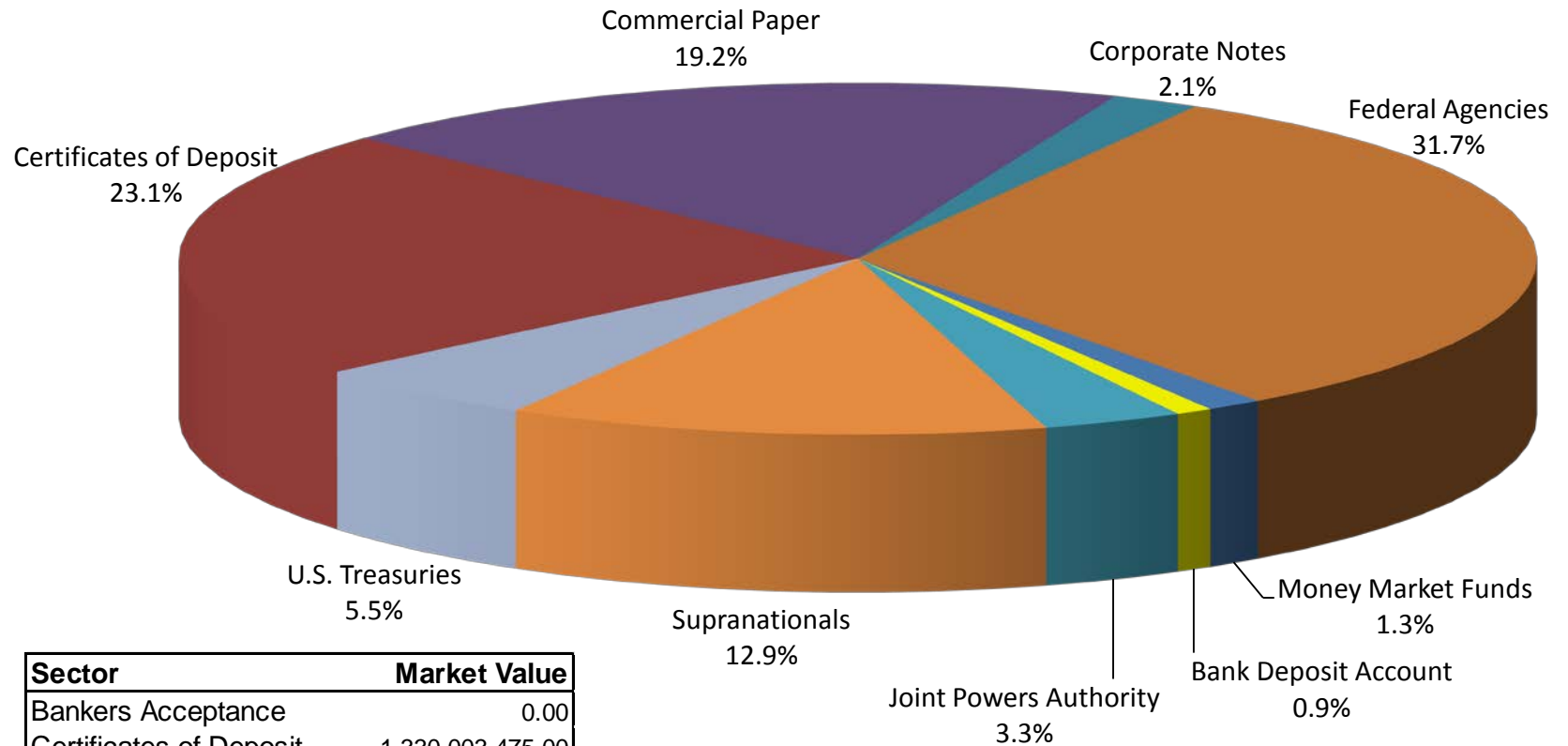
2. Statistics for the total portfolio include money market funds.

3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate. Prices that fall between data points are interpolated.



San Bernardino County Pool

Sector Distribution (as of 5/31/2016)



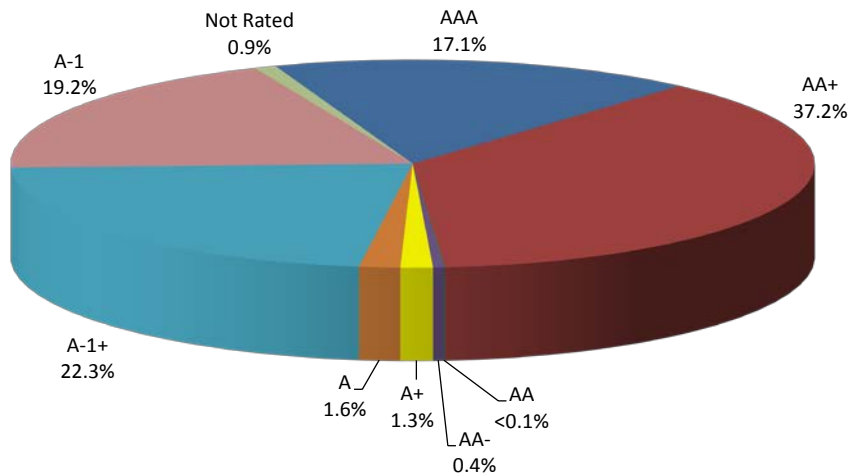
Sector	Market Value
Bankers Acceptance	0.00
Certificates of Deposit	1,330,003,475.00
Collateralized CD	0.00
Commercial Paper	1,103,359,981.00
Corporate Note	120,755,793.90
Federal Agencies	1,822,401,735.48
Money Market Funds	77,000,000.00
Municipal Debt	0.00
Repurchase Agreement	0.00
Bank Deposit Account	50,000,000.00
Joint Powers Authority	192,000,000.00
Supranationals	739,486,000.00
U.S. Treasuries	316,285,430.00



San Bernardino County Pool

Credit Quality Distribution (as of 5/31/2016)

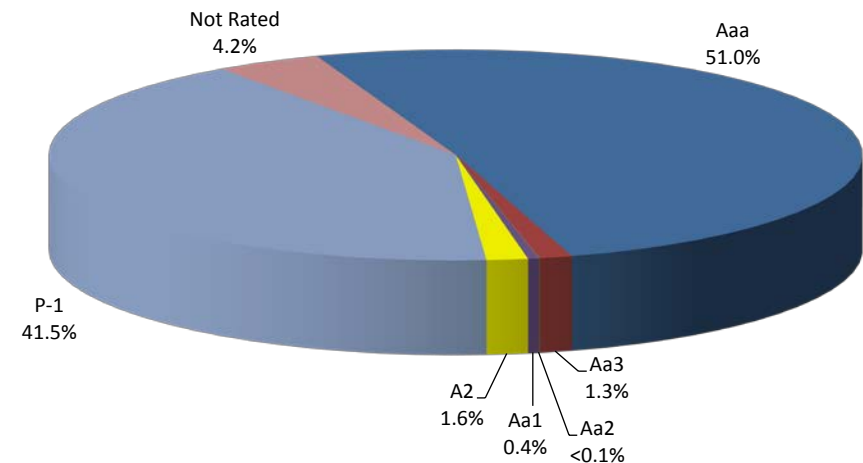
S&P Ratings



Credit Rating	Market Value
A-1+ (Short-Term)	1,279,837,513.00
A-1 (Short-Term)	1,103,633,867.50
AAA (Long-Term)	983,564,125.00
AA+ (Long-Term)	2,138,687,165.48
AA (Long-Term)	1,503,471.00
AA- (Long-Term)	24,999,375.00
A+ (Long-Term)	74,892,700.50
A (Long-Term)	94,174,197.90
Not Rated	50,000,000.00

* Ratings by Standard & Poor's

Moody's Ratings



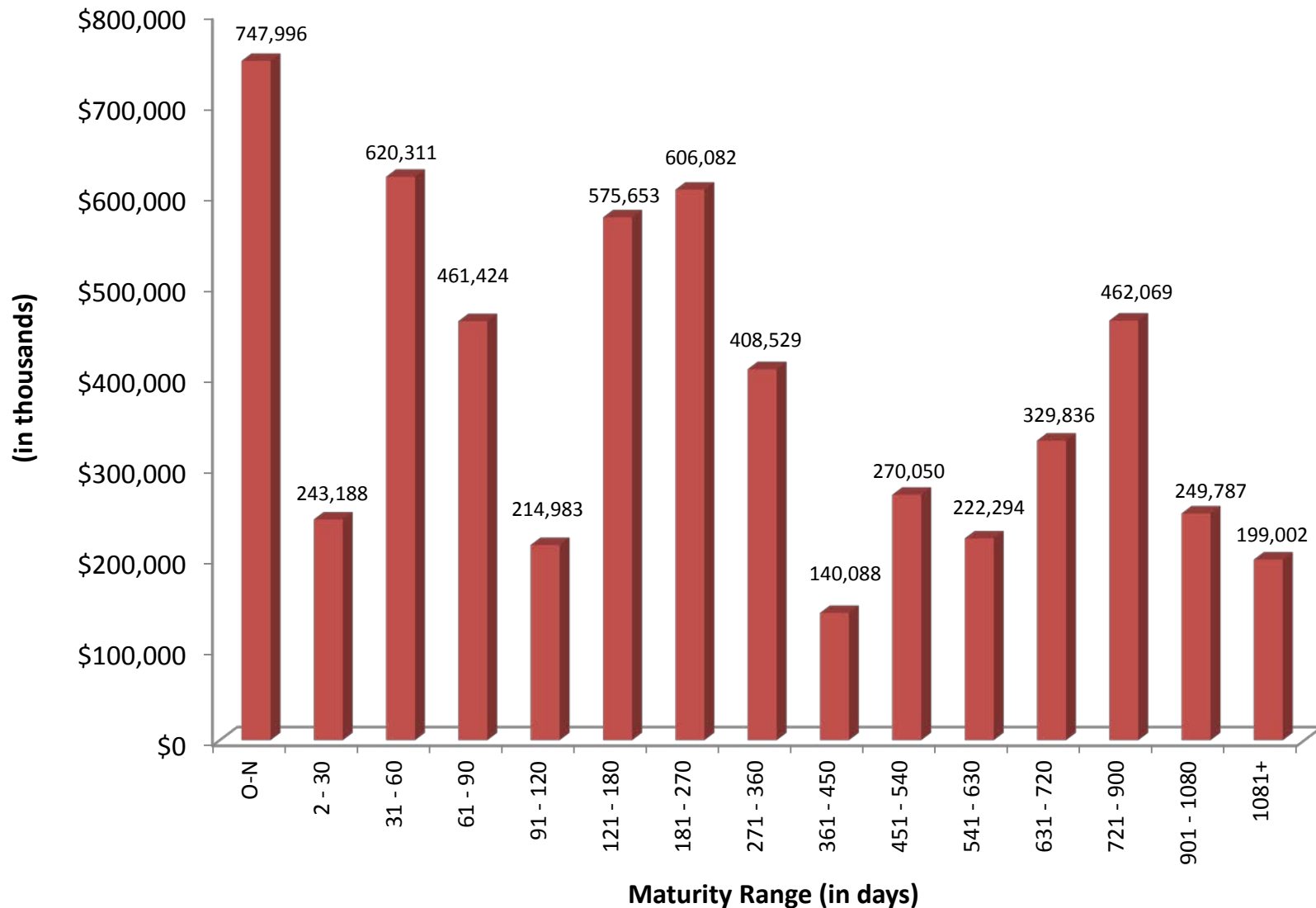
Credit Rating	Market Value
P-1 (Short-Term)	2,383,471,380.50
Aaa (Long-Term)	2,930,251,290.48
Aa3 (Long-Term)	74,892,700.50
Aa2 (Long-Term)	1,503,471.00
Aa1 (Long-Term)	24,999,375.00
A2 (Long-Term)	94,174,197.90
A1 (Long-Term)	0.00
Not Rated	242,000,000.00

* Ratings by Moody's



San Bernardino County Pool

Maturity Distribution (as of 5/31/2016)



* Maturity distribution assumes no securities are called



San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity
	At Cost
May 2015	0.49%
June 2015	0.51%
July 2015	0.56%
August 2015	0.55%
September 2015	0.55%
October 2015	0.57%
November 2015	0.60%
December 2015	0.60%
January 2016	0.69%
February 2016	0.71%
March 2016	0.72%
April 2016	0.74%
May 2016	0.78%

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100