

**Burbank Unified School District
Administrative Services**

REPORT TO THE BOARD

TO: Members of the Board of Education

FROM: David Jaynes, Assistant Superintendent, Administrative Services

PREPARED BY: Ruthie DiFonzo, Senior Administrative Assistant

SUBMITTED BY: Ruthie DiFonzo, Senior Administrative Assistant

DATE: January 18, 2018

SUBJECT: Acceptance of the 2016-2017 Annual Financial Report and the Financial and Performance Audits of the Proposition 39 General Obligation Bonds Building Fund Measure S Program

Background:

Annually the District must employ an independent auditing firm to perform an audit of the District's finances in accordance with the audit guide published by the state Department of Finance. The District employs the auditing firm on behalf of the State, and their work product is submitted directly to the Los Angeles County Office of Education to be forwarded to the State at the same time that District staff receive the final copy. Once the State indicates to the District in writing that it has accepted the audit as compliant with its guidelines, the District may release final payment to the audit firm. The annual District audit is to be completed and published by mid-December.

Discussion/Issues:

The firm of CliftonLarsonAllen (CLA) formally Vicenti Lloyd & Stutzman (VLS) have performed the District's annual audit for the past several years. A principal of that firm will be present at the Board meeting to give the Board and public an overview of the audit and to answer any questions the Board may have.

Additionally, VLS conducted a financial and performance audit of the Proposition 39 General Obligation Bonds Building Fund Measure S program and will present an overview of this audit to the Board.

Financial Impact:

None.

Recommendations:

David Jaynes, Assistant Superintendent, Administrative Services, recommends that the Board of Education accept the 2016-2017 Annual Financial Report and the Financial and Performance Audits of the Proposition 39 General Obligation Bonds Building Fund Measure S program, as presented.

**BURBANK UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2017**

BURBANK UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Burbank Unified School District
Burbank, 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 Burbank Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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.

INDEPENDENT AUDITORS' REPORT

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 in the aforementioned table of contents 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 District as of June 30, 2017, 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 a Matter

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans* and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of postemployment healthcare benefits funding progress, and schedule of employer postemployment healthcare benefits contributions 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 District's basic financial statements. The supplementary schedules,

INDEPENDENT AUDITORS' REPORT

combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

BURBANK UNIFIED SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

INTRODUCTION

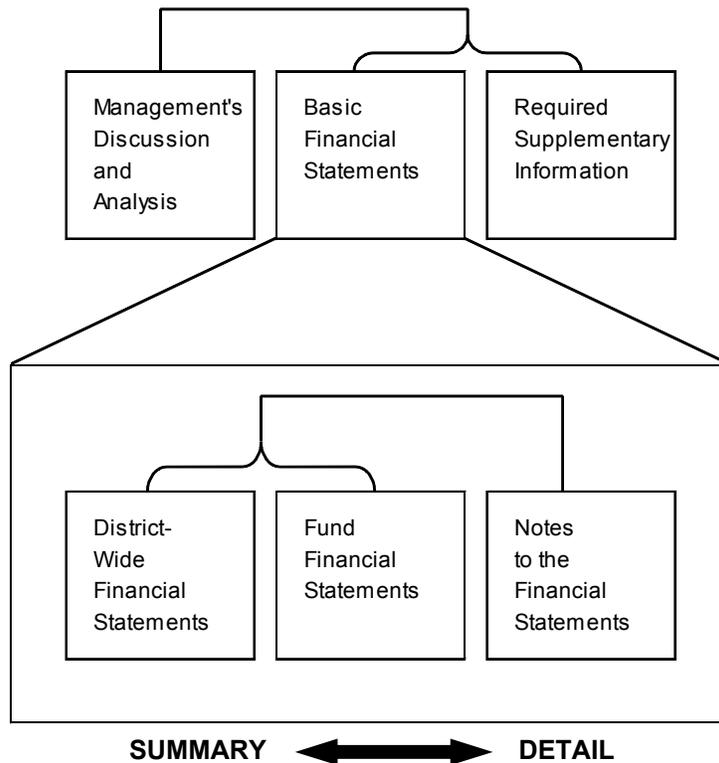
The purpose of this section of the audit report is to allow management to include for the sake of users additional insights into the operations and trends of the school district in order to make these reports more meaningful. Users should also review the notes to the basic financial statements and the fund financial statements to enhance their understanding of the school district’s financial performance during the 2016-2017 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:

- (1) Management’s Discussion and Analysis (this section)
- (2) The basic financial statements
- (3) The required supplementary information

Organization of Burbank Unified’s Annual Financial Report



BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term and long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District and report the District's operations in more detail.

The financial statements also include *notes* that explain some of the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with comparison of the District's budget for the year.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets plus deferred outflows minus liabilities and deferred inflows – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one should consider additional non-financial factors such as changes in the district property tax base and the condition of school buildings and other facilities.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

Government-wide Statements
(continued)

- GASB Statement No.68 requires government entities to report their net pension liability in the accrual based financial statements beginning fiscal year 2014-15. This is a change in accounting principle designed to improve accounting and financial reporting and create additional transparency. The amount each entity is required to contribute is based on the difference between the actuarially determined rate and the contribution rate of employees. These studies were performed and provided by PERS and STRS.

In the government-wide financial statements the District's activities are reported as follows:

- *Governmental activities*—All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State aid combined (local control funding formula) finance most of these activities. Other funds in the District include Child Development, which are also considered governmental activities. The District now accounts for the operation of its cafeterias within a special revenue fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. While some funds are required by State law and by bond covenants, the majority of the District's activities are accounted for in the General Fund. The District establishes other funds to control and manage money for particular purposes like repaying its long-term debt.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. It should be noted that a school district of Burbank's size is required to maintain a 3% reserve for economic uncertainties within the ending fund balance of its general fund. This reserve is calculated by multiplying 3% by total expenditures and other outgo of the general fund. However, the Burbank Unified School District believes that a 6% reserve for economic uncertainties is more appropriate. The governmental funds statements provide a detailed *short-term* view that helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information in a reconciliation of the governmental funds statements that explains the relationship (or differences) between them.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

Fund Financial Statements
(continued)

- *Proprietary funds* – Enterprise/Internal Service Funds are considered business-type activities and are reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. The District converted its one Enterprise Fund to a Governmental fund at the close of the 2015-16 fiscal year.
- The District has one Internal Service Fund, the Retirees Benefits Fund, used to account for payment of current year healthcare costs.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds and the Retiree Benefits Trust Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – Government-Wide Statements

Statement of Net Position

- The net position for the governmental activities decreased by approximately \$46.9 million over the prior year. The District is showing a 6.3% decrease overall. It is important to note that the District is highly dependent upon the economy of the State of California. 2016-17 represents the fourth year of funding increases after five years of significant funding reductions at the State level.

Table 1
Year-to-Year Comparison of Net Position (Millions)

Summary of Statement of Net Position	Governmental Activities		Total Change	Total % Change
	2016	2017		
Assets				
Non-capital Assets	\$ 126.6	\$ 112.9	\$ (13.7)	-10.8%
Capital Assets	246.3	266.6	20.3	8.2%
Total Assets	372.9	379.5	6.6	1.8%
Deferred Outflows of Resources				
Deferred Outflows of Resources - pensions	15.3	35.8	20.5	134.0%
Liabilities				
Current Liabilities	43.4	41.0	(2.4)	-5.5%
Long Term Liabilities	306.6	390.9	84.3	27.5%
Total Liabilities	350.0	431.9	81.9	23.4%
Deferred Inflows of Resources				
Deferred Inflows of Resources - pensions	12.1	4.2	(7.9)	-65.3%
Net Position				
Net investment in capital assets	69.1	57.3	(11.8)	-17.1%
Net position legally restricted	54.5	59.3	4.8	8.8%
Net position unrestricted	(97.5)	(137.4)	(39.9)	-40.9%
Total net position	\$ 26.1	\$ (20.8)	\$ (46.9)	-179.7%

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – Government-Wide Statements

Summary of Statement of Activities	Governmental Activities		Total Change	Total % Change
	2016	2017		
General Revenue:				
Property Taxes - General Purpose	\$ 48.8	\$ 47.3	\$ (1.5)	-3.1%
Property Taxes - Debt Service	9.3	11.4	2.1	22.6%
Federal/State Aid	80.6	80.8	0.2	0.2%
Interest/Investment Earnings	0.8	0.9	0.1	12.5%
Miscellaneous	1.8	3.6	1.8	100.0%
Total General Revenues	141.3	144.0	2.7	1.9%
Net Expenditures after Program Revenues for:				
Instruction and Instruction-Related Services	89.7	103.6	13.9	15.5%
Pupil Services	8.0	9.3	1.3	16.3%
General Administration	9.7	18.1	8.4	86.6%
Plant Services	12.3	14.6	2.3	18.7%
Ancillary, Community, and Enterprise	0.7	0.9	0.2	28.6%
Other Outgoing	0.2	(0.5)	(0.7)	-350.0%
Debt Service	8.1	12.7	4.6	56.8%
Depreciation (Unallocated)	8.5	9.0	0.5	5.9%
Total Expenditures	137.2	167.7	30.5	22.2%
Change in Net Position	4.1	(23.7)	(27.8)	-678.0%
Net Position, Beginning of Year, as originally reported	22.7	26.1	3.4	15.0%
Cumulative effect of change in accounting principle	(0.7)	(23.2)		
Net Position, Beginning of Year, after cumulative effect	22.0	2.9	(19.1)	-86.8%
Net Position, End of Year	\$ 26.1	\$ (20.8)	\$ (46.9)	-179.7%

Of the \$167.7 million in 2017 net expenditures, direct services to students represent 67.5% of the total. Plant services represent 8.7% of total expenditures. Depreciation expense represents 5.4% and general administration and interest on debt service represent about 10.8% and 7.6%, respectively.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

- Total revenues were approximately \$182.4 million, up approximately \$1.9 million from the prior year. General Fund revenues were approximately \$156.5 million, up \$1.9 million from the prior year. The General Fund represents 85.8% of total revenues. Student enrollment at Burbank Unified has slightly increased during 2016-17, the State continues to fund on the best of the prior or current year. Inter-district transfers continue to help keep enrollment up. This is a trend not enjoyed by many other school districts in the County of Los Angeles. Burbank Unified continues to accept inter-district enrollment transfers from neighboring districts when the parent of the student(s) works within the city's boundaries. The District has a very good reputation academically, and in 2016-17, approximately 1,191 transfers were accepted for students who would otherwise be educated in other school districts.
- Total expenditures were approximately \$225.4 million, up \$22.3 million from the prior year. General Fund expenditures were approximately \$165.5 million, an increase over the prior year of approximately \$18.1 million. The General Fund represented 73.4% of total expenditures. The Board of Education will continue to monitor expenditures due to fluctuating enrollment without closing schools or eliminating programs.
- General Fund revenue for the year was \$156.5 million with expenses of \$165.5 million. This resulted in a decrease of \$9 million, which after financing sources and uses was a decrease of \$8.8 million. The decrease was largely due to retroactive salary increases of 3% for 2015-16 with a 2% off schedule in addition to \$4.6 million in restricted carryover.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – GENERAL FUND BUDGET AND ACTUAL EXPENDITURES

The following items reflect significant variations between original and final budget amounts, and between final budget amounts and actual results for the general fund:

- Local Control Funding formula (LCFF):
 - Final Budget was higher than the Original Budget by \$1.8 million. This was due to higher than expected receipt of property taxes.
 - Actual Revenues were less than the Final Budget by \$1.5 million. This was due to a duplicate budget for LCAP – EIA/LEP resource 01500.0 and 07091.0
- Federal Revenue Sources:
 - Actual Revenues were less than the Final Budget by \$131 thousand. This was due to Actuals being funding lower than anticipated for all the Title programs, which was offset by receipt of MAA and Medi-Cal funds.
- Other State Revenue Sources:
 - Final Budget exceeded the Original Budget by \$6.3 million, primarily due to the recording of the STRS on-behalf payment. The Actual Revenues exceed the Final budget by \$189 thousand due to increased Lottery Revenue and Special Ed funding.
- Other Local Revenue Sources:

Actual Revenues were higher than the Original Budget by \$2.2 million. Some of these funds are carried over from the previous year and were budgeted as if all will be spent. The Actual Revenues came in lower by \$759 thousand in anticipation of local gifts, grants and donations that were not received.
- Certificated Salaries:
 - Actual Expenditures exceeded Original Budget by \$4.6 million due to salary increases that included a 3% retro for 2015-16 and a one time off schedule increase for 2%.
- Classified Salaries:
 - Actual Expenditures exceeded Original Budget by \$2.4 million due to salary increases that included a 3% retro for 2015-16 and a one time off schedule increase for 2%.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – GENERAL FUND BUDGET AND ACTUAL EXPENDITURES (continued)

- Books and Supplies:
 - Final Budget exceeded Adopted Budget by \$6 million. This is a common annual result of posting “carryover” funds available in both the unrestricted and restricted side of the general fund. This fiscal year more books and instructional materials were purchased with the adoption of the state standards.
 - Site, department and program carryovers are not known at the time of the adopted budget. The budget assumption is that all carryovers will be fully expended and the final budget was adjusted accordingly.
 - The Actual Budget was \$5.4 million under the projected Final Budget which assumes that all funds will be spent in their entirety.

- Contracted Services:
 - Actual Expenditures were higher than Original Budget by approximately \$2.5 million. This is primarily a result of one-time and grant money being spent on Professional Development.

FINANCIAL HIGHLIGHTS – INDIVIDUAL FUNDS

Cafeteria Fund

This is the second year that the Cafeteria fund has run a self-operating program. The positive ending fund balance of \$422 thousand dollars is \$102 thousand over the original budget.

Building Fund

As a result of a General Obligation bond passing in March 2013 the Building Fund was reopened. Bonding authorization was given to levy a total of \$110 million. Expenditure of bond funds occurred in 2016-17 in the amount of \$33.6 million. The bond issuance was rated Aa2 by Moody's and AA- by S&P. These remain unchanged.

Deferred Maintenance Fund

The Board of Education increased the contribution to \$613,900 for 2016-17 which is more than required by the State of California. The State discontinued providing its contribution in 2013-14 and included it as part of the LCFE allocations. Revenues earned in this fund are a result of interest earnings on the balance carried forward from years past. The desired outcome is that interest earnings on the principal will fund an income stream annually to use towards the 5-year deferred maintenance plan.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – INDIVIDUAL FUNDS (continued)

Deferred Maintenance Fund (continued)

- The Deferred Maintenance Fund began 2016-17 with a fund balance of \$3.9 million, and ended the year with a fund balance of \$4.2 million.
- The Board of Education further elected to increase the contribution by .25% of total general fund expenditures in fiscal year 2016-17, and another .50% in 2017-18, which may not continue due to budgetary constraints.

Retiree Benefits Fund – Self Insurance Fund

The Retiree Benefits Fund-Self Insurance Fund covers the cost of retiree health benefits annually. The District has contributed .625% of all salaries into this fund in order to fund the current year expense. As a result of the fiscal crisis facing the State of California, and the resulting decrease in funding to the District, the Board of Education amended its policy temporarily and will no longer overfund in order to contribute toward the prior periods' liabilities. For 2016-17, the contribution to this fund was planned to equal the estimated current year expense of approximately \$1 million. Total net position in this fund at year end was \$470,046.

- The Retiree Benefits Fund-Self Insurance began 2016-17 with net position of \$735 thousand, and ended the year with net position of \$470 thousand. The fund earned \$5,083 in interest. The rate levied on salaries for 2017-18 will be reduced to .8% to further use the existing balance in this fund.

Retiree Benefits Fund – Trust Fund

The Governing Board maintains its own irrevocable trust with Wells Fargo Bank as its Trustee, and has established these funds in a separate Retiree Benefits Fund. This fund was established by the Board of Education to begin to accumulate balances sufficient to meet the obligations defined by GASB Statement No. 45 and the District's actuarial study of post-retirement benefits.

- The Retiree Benefits Fund (irrevocable trust) began 2016-17 with net position of \$6 million, and ended the year with net position of \$7.2 million. The fund earned \$188,955 from interest and dividends.
- The 2016-17 the percentage of salaries was calculated at 1.125% of salaries or \$954K with \$224K in transit at year end. In 2017-18 the percentage will likely be reduced due to upcoming budgetary constraints.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – INDIVIDUAL FUNDS (continued)

Adult Education Fund

The Adult Education Fund exists to record the financial activities of the Burbank Adult Education School. Prior to State legislated Tier III flexibility, the adult education funds were held completely separate from the General Fund. After the State flexibility was legislated in 2008-09, adult education funds were available for use in the General Fund. Burbank Unified has elected to keep the Adult Education Fund as a separate fund and not fold it into the General Fund. The Board of Education elected to utilize the one-time opportunity under State flexibility to transfer \$1 million in funds from the Adult Education fund balance to the General Fund balance in 2009-10. Additionally, the Board of Education elected to exercise further flexibility rights, and transfer annual revenues from the Adult Education fund to the General Fund in the amount of \$500K per year thereafter, until the consortium began direct funding.

Funding continues to be received directly from the State into the Adult Education Fund based on 2012-13 expenditures, under the direction of LARAEC, Los Angeles Regional Adult Education Consortium.

- The Adult Education Fund began 2016-17 with a fund balance of \$4.6 million, and ended the year with a fund balance of \$4.5 million.
- The Adult Education Fund has also taken over the FACTS program from our Special Education department, which is a good fit according to AB86 to offer programs for adults with disabilities. This program runs at a deficit of approximately \$500K.

Child Development Fund

The Child Development Fund is established for operations of State funded preschool and childcare programs, as well as district-run childcare and after-school programs. The Child Development Fund, and related programs, have experienced large reductions in State funding. The district-run childcare and after-school programs (fee-based programs) run a budget surplus, but in the last five years, the State funded child development program and preschool program have run at a deficit, which has been large enough to create an overall deficit for the fund. The District is addressing the deficit situation, and plans to bring the program into a balanced budget within the next year or two.

- The Child Development Fund began 2016-17 with a fund balance of \$103,114 and ended the year with a zero balance which included a contribution from the general fund of \$655,200.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS – INDIVIDUAL FUNDS (continued)

Capital Facilities Fund

The Capital Facilities Fund, also known as the Developer Fee Fund, received revenues from impact fees charged to residents for new residential and commercial construction. The current economy is improving, however, no major construction projects starting this year. Total revenues were \$347,305 for 2016-17. This fund is used to pay for growth-related facilities projects, as needs arise.

- The Capital Facilities Fund began 2016-17 with \$2.4 million in fund balance, and ended the year with \$2.3 million in fund balance.

Special Reserve for Capital Outlay

The Special Reserve for Capital Outlay is a fund used for district facilities projects that are not funded through the Capital Facilities Fund, nor from State construction funds. This fund holds dollars that were transferred from the General Fund at the direction of the Board of Education, for specific facility purposes. Its primary source of funding has been State funded projects in prior years that were completed with excess funds available. It also earns interest income, and occasionally can receive revenues from sale of property.

- The Special Reserve for Capital Outlay began 2016-17 with a fund balance of \$2.8 million, and ended the year with a fund balance of \$3.4 million. The increase was primarily a result of the Redevelopment Income.
- \$1.65 million of this fund balance is held in reserve for future maintenance of the high school athletic fields as per an agreement with the City of Burbank. This reserve is increased by \$150,000 annually.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

OTHER INFORMATION

Over the course of the year, the District revises its annual operating budget several times. The District is required to adopt its budget by June 30th each year, which is often prior to final funding information from the State. After the State budget is adopted, the District is required to analyze the impact of the State budget to the District budget within 45 days of the Governor's signature. Any necessary budget revisions are then made to reflect the impact. The District is also required by law to make two formal presentations each year on its financial condition, projecting both budget and cash flow for the current and two future fiscal years. Budget revisions are made after these presentations to reflect current information. The District makes additional budget revisions throughout the year as information regarding funding and expenditures becomes available. Further information about the budget can be found on page 54.

General Obligation Bond

The District passed a \$110 million General Obligation Bond in March of 2013. Additional modernization projects and facilities projects began in the summer of 2013.

- 2014-15 the District spent \$6.9 million for various building programs including modernization, infrastructure improvements, and technology.
- 2015-16 the District spent \$29.3 million for lighting, solar, infrastructure improvements, and technology.
- 2016-17 the District spent \$33.6 million for lighting, solar, infrastructure improvements, and technology.

Average Daily Attendance

Period 2 average daily attendance decreased 71 in 2016-17 before adjustments. Average daily attendance for Burbank residents decreased. However, the District continues to attract inter-district attendance to backfill most the natural attrition in student enrollment which would otherwise reduce its attendance base. Due to its excellent reputation, the District continues to receive more applications for inter-district attendance than it can grant. By policy, any families who work within the District's boundaries may apply for inter-district attendance and bring their school-aged children to Burbank schools if space allows.

BURBANK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

Although the District is financially stable, it is highly dependent upon the State of California's economic outlook in all aspects of its operation. The Board of Education's decision to set aside an additional 3% reserve within its fund balance, making a total of 6% set aside for economic uncertainties is one factor that provides additional assurance of solvency during the State's financial difficulties. The District has tried to add back reductions as LCFF funding showed progress in restoring district funding levels to fiscal year 2007-08. However, concerns in relation to the budget of the State of California remain. The following represent elements that could potentially affect the District's financial profile.

- The District's enrollment pattern has shown a decrease over the last two fiscal years, even though inter-district attendance remains strong. To date the inter-district transfer of students from other districts has back-filled the otherwise natural shrinkage in enrollment that the District would have experienced. The District continues to monitor this trend closely, but expects the trend to continue.
- The District is finding that with the K-3 requirement of 24:1 we are unable to grow enrollment in the grade levels we need it due to lack of classrooms. The natural bubble of students that flow through the grade levels has decreased due to the K-3 requirements decreasing the enrollment and funded ADA.
- The increasing costs of district paid STRS and PERS is outpacing the revenue coming into the district.
- Although we have only completed year 4 of LCFF implementation the District is funded at 95% of the target funding. Following full funding the only increases to revenue will be COLA.
- The District has inherent increased costs each fiscal year due to "step" increases that result from contracted bargaining unit language, and also inherent increased costs annually due to health insurance increases, and other supply and material cost increases. These increased costs will be especially scrutinized as future years' District budgets are adopted.
- The State has passed Proposition 2 setting up a State rainy day fund. If District's maintain reserves at higher than 6%, it will be required to contribute the additional funds above the 6% to this State rainy day fund. This will have an impact on the District being able to absorb further reductions by the State when the next fiscal crisis hits. A 6% reserve is not even one month of payroll for the District.
- The passing of Prop 55 in November 2016 extends the personal income tax revenues which were due to expire in December 2018. The state has yet to outline what portion if any will be allocated to K-12 Education.

BURBANK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

CONTACTING THE DISTRICT'S FINANCIAL TEAM

This financial report provides the most current information regarding the District's financial status. The level of detail is complex. Some users may wish for additional information. Any questions about this report may be directed to Lina Sola, Director, Fiscal Services at (818) 729-4428.

FINANCIAL SECTION

BURBANK UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in county treasury	\$ 103,945,412
Cash on hand and in banks	1,122,256
Cash in revolving fund	25,060
Cash with fiscal agent	125
Accounts receivable	7,699,040
Inventories	111,627
Land	7,621,124
Construction in progress	16,884,601
Depreciable assets, net	242,063,886
Total Assets	379,473,131
 <u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	35,817,142
 <u>Liabilities</u>	
Accounts payable and other current liabilities	26,216,237
Accrued interest payable	1,024,368
Unearned revenue	2,736,028
Current portion of long-term liabilities	
General obligation bonds	9,665,000
Capital leases	1,331,005
Non-current portion of long term liabilities	
General obligation bonds	187,646,514
Capital leases	10,618,114
Net other postemployment benefits (OPEB)	35,323,903
Net pension liability	155,873,784
Compensated absences	1,472,164
Total Liabilities	431,907,117
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	4,167,558
 <u>Net Position</u>	
Net investment in capital assets	57,308,978
Restricted for:	
Debt service	13,739,113
Construction projects	39,459,896
Educational programs	5,746,746
Other purposes	391,392
Unrestricted	(137,430,527)
Total Net Position	\$ (20,784,402)

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 110,468,297	\$ 3,407,417	\$ 21,939,528	\$ (85,121,352)
Instruction - related services	23,718,030	456,446	4,771,921	(18,489,663)
Pupil services	15,509,147	1,541,478	4,684,135	(9,283,534)
Ancillary services	1,423,857	302,761	219,761	(901,335)
Community services	161,111	91,432	66,413	(3,266)
Enterprise activities	28,925	18,453	13,479	3,007
General administration	19,323,158	280,501	925,387	(18,117,270)
Plant services	15,967,545	379,565	965,939	(14,622,041)
Other outgo	(210,404)	16,097	292,616	519,117
Debt service - interest	12,729,795			(12,729,795)
Depreciation (unallocated)	8,997,829			(8,997,829)
Total Governmental Activities	<u>\$ 208,117,290</u>	<u>\$ 6,494,150</u>	<u>\$ 33,879,179</u>	<u>(167,743,961)</u>
General Revenues				
Property taxes levied for				
General purposes				47,322,702
Debt service				10,865,907
Other specific purposes				553,847
Federal and state aid not restricted to specific purposes				80,785,543
Interest and investment earnings				931,864
Miscellaneous				3,568,622
Total General Revenues and special items				<u>144,028,485</u>
				<u>Change in net position</u>
				(23,715,476)
				Net Position - Beginning of Year, as originally stated
				26,147,516
				Cumulative effect of change in accounting principles (Note 15)
				<u>(23,216,442)</u>
				Net Position - Beginning of Year, after cumulative effect
				<u>2,931,074</u>
				Net Position - End of Year
				<u>\$ (20,784,402)</u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 27,739,865	\$ 46,820,223	\$ 13,739,113	\$ 15,054,236	\$ 103,353,437
Cash on hand and in banks				1,122,256	1,122,256
Cash in revolving fund	25,060				25,060
Cash with fiscal agent	125				125
Accounts receivable	6,873,571	217,716		605,555	7,696,842
Due from other funds	1,029,688				1,029,688
Inventories	80,444			31,183	111,627
Total Assets	<u>\$ 35,748,753</u>	<u>\$ 47,037,939</u>	<u>\$ 13,739,113</u>	<u>\$ 16,813,230</u>	<u>\$ 113,339,035</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 14,261,738	\$ 10,956,146	\$	\$ 874,226	\$ 26,092,110
Due to other funds				1,029,688	1,029,688
Unearned revenue	2,563,921			172,107	2,736,028
Total Liabilities	<u>16,825,659</u>	<u>10,956,146</u>	<u>-</u>	<u>2,076,021</u>	<u>29,857,826</u>
Fund Balances					
Nonspendable	105,504			31,183	136,687
Restricted	4,694,170	36,081,793	13,739,113	4,822,071	59,337,147
Committed				7,618,864	7,618,864
Assigned	2,330,448			2,265,091	4,595,539
Unassigned	11,792,972				11,792,972
Total Fund Balances	<u>18,923,094</u>	<u>36,081,793</u>	<u>13,739,113</u>	<u>14,737,209</u>	<u>83,481,209</u>
Total Liabilities and Fund Balances	<u>\$ 35,748,753</u>	<u>\$ 47,037,939</u>	<u>\$ 13,739,113</u>	<u>\$ 16,813,230</u>	<u>\$ 113,339,035</u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total fund balances - governmental funds \$ 83,481,209

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 7,621,124	
Construction in progress	16,884,601	
Depreciable assets, net	<u>242,063,886</u>	266,569,611

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds payable and related premium	(197,311,514)	
Capital leases	(11,949,119)	
Net other postemployment benefits other than pensions (OPEB)	(35,323,903)	
Net pension liability	(155,873,784)	
Compensated absences	<u>(1,472,164)</u>	(401,930,484)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - pensions	35,817,142	
Deferred inflows - pensions	<u>(4,167,558)</u>	31,649,584

An internal service funds is used by the District to cover the cost of retiree benefits. The assets and liabilities should be included with governmental activities. The net position is: 470,046

Interest expense related to general obligation bonds payable was incurred but not accrued through June 30, 2017. (1,024,368)

Total net position - governmental activities \$ (20,784,402)

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local control funding formula sources:					
State apportionments	\$ 76,818,275	\$	\$	\$	\$ 76,818,275
Local sources	<u>44,652,579</u>				<u>44,652,579</u>
Total local control funding formula sources	121,470,854	-	-	-	121,470,854
Federal sources	6,542,681			2,898,938	9,441,619
Other state sources	24,426,519		49,875	4,164,079	28,640,473
Other local sources	<u>4,014,140</u>	<u>919,436</u>	<u>10,893,048</u>	<u>7,007,356</u>	<u>22,833,980</u>
Total Revenues	<u>156,454,194</u>	<u>919,436</u>	<u>10,942,923</u>	<u>14,070,373</u>	<u>182,386,926</u>
Expenditures					
Instruction	103,759,787			5,703,250	109,463,037
Instruction - related services	20,369,373			1,657,791	22,027,164
Pupil services	10,746,439			4,036,040	14,782,479
Ancillary services	1,371,297				1,371,297
Community services	158,752				158,752
Enterprise activities				28,927	28,927
General administration	10,877,956			754,101	11,632,057
Plant services	14,745,410	33,593,290		2,172,709	50,511,409
Other outgo	752,943				752,943
Debt service	<u>2,707,977</u>		<u>11,981,904</u>		<u>14,689,881</u>
Total Expenditures	<u>165,489,934</u>	<u>33,593,290</u>	<u>11,981,904</u>	<u>14,352,818</u>	<u>225,417,946</u>
Excess (deficiency) of revenues over expenditures	<u>(9,035,740)</u>	<u>(32,673,854)</u>	<u>(1,038,981)</u>	<u>(282,445)</u>	<u>(43,031,020)</u>
Other Financing Sources					
Proceeds from capital leases	938,619				938,619
Proceeds from sale of bonds		34,001,109	2,460,851		36,461,960
Interfund Transfer In				765,200	765,200
Interfund Transfer Out	<u>(765,200)</u>				<u>(765,200)</u>
Total Other Financing Sources	<u>173,419</u>	<u>34,001,109</u>	<u>2,460,851</u>	<u>765,200</u>	<u>37,400,579</u>
Net changes in fund balance	(8,862,321)	1,327,255	1,421,870	482,755	(5,630,441)
Fund Balances at Beginning of Year	<u>27,785,415</u>	<u>34,754,538</u>	<u>12,317,243</u>	<u>14,254,454</u>	<u>89,111,650</u>
Fund Balances at End of Year	<u>\$ 18,923,094</u>	<u>\$ 36,081,793</u>	<u>\$ 13,739,113</u>	<u>\$ 14,737,209</u>	<u>\$ 83,481,209</u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ (5,630,441)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	28,768,463	
Donated capital assets	495,279	
Depreciation expense	<u>(8,997,829)</u>	
Excess (deficiency) of capital outlay over depreciation expense		20,265,913

Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term liabilities in the statement of net position.

General obligation bonds and related premium	(36,461,960)
Capital leases	(938,619)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Capital lease principal payments	1,359,926	
General obligation bond principal payments	<u>4,668,863</u>	6,028,789

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

(3,934,031)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net increase in accrued interest	(268,902)	
Net increase in accreted interest	(988,511)	
Net increase in net other postemployment benefits other than pensions (OPEB)	(1,582,037)	
Net increase in compensated absences	(200,986)	
Net decrease in premium on general obligation bonds	<u>260,728</u>	(2,779,708)

An internal service fund is used by the District to charge the costs of postemployment benefits to the individual funds. The net income of the internal service fund is reported with governmental activities.

(265,419)

Change in net position of governmental activities \$ (23,715,476)

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

June 30, 2017

	Governmental Activities: Internal Service Fund <hr/> Retiree Benefits Self-Insurance Fund <hr/>
<u>Assets</u>	
Cash in county treasury	\$ 591,975
Accounts receivable	<hr/> 2,198
Total Assets	<hr/> <hr/> 594,173
<u>Liabilities</u>	
Accounts payable	<hr/> 124,127
Total Liabilities	<hr/> <hr/> 124,127
<u>Net Position</u>	
Unrestricted	<hr/> 470,046
Total Net Position	<hr/> <hr/> <hr/> \$ 470,046

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities: Internal Service Fund <u>Retiree Benefits Self-Insurance Fund</u>
Operating Revenues	
Other local revenues	\$ 739,547
Total Operating Revenues	<u>739,547</u>
Operating Expenditures	
Services and other operating expenses	<u>1,010,049</u>
Total Operating Expenditures	<u>1,010,049</u>
Net operating loss	<u>(270,502)</u>
Non-Operating Revenues	
Interest income	<u>5,083</u>
Total Non-Operating Revenues	<u>5,083</u>
Net loss	(265,419)
Net Position at Beginning of Year	<u>735,465</u>
Net Position at End of Year	<u>\$ 470,046</u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities: Internal Service Fund <hr/> Retiree Benefits Self-Insurance Fund <hr/>
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 739,547
Cash paid for operating expenditures	<u>(987,450)</u>
Net cash used by operating activities	<u>(247,903)</u>
 Cash Flows from Investing Activities	
Interest income	<u>4,474</u>
Net cash provided by investing activities	<u>4,474</u>
 Net decrease in cash	(243,429)
 Cash - July 1, 2016	<u>835,404</u>
Cash - June 30, 2017	<u><u>\$ 591,975</u></u>
 Reconciliation of operating loss to net cash used by operating activities	
 Operating Loss	\$ (270,502)
 Changes in operating assets and liabilities:	
Accounts payable	124,051
Due to retiree benefits fund	<u>(101,452)</u>
Total adjustments	<u>22,599</u>
 Net cash used by operating activities	<u><u>\$ (247,903)</u></u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Retiree Benefits Trust Fund	Associated Student Body Funds
<u>Assets</u>		
Cash on hand and in banks	\$	\$ 1,405,506
Investments with fiscal agent	7,208,629	
Total Assets	7,208,629	1,405,506
 <u>Liabilities</u>		
Funds held in trust		945,268
Total Liabilities	-	945,268
 <u>Net Position</u>		
Held in trust for other postemployment benefits	7,208,629	
Unrestricted		460,238
Total Net Position	\$ 7,208,629	\$ 460,238

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2017**

	Retiree Benefits Trust Fund	Associated Student Body Funds
Additions		
Employer contributions	\$ 1,913,143	\$
Unrealized gain on investments	188,955	
Revenue from local sources		746,680
Total Additions	<u>2,102,098</u>	<u>746,680</u>
Deductions		
Benefit payments	958,527	
Other expenses	<u>7,802</u>	<u>786,285</u>
Total Deductions	<u>966,329</u>	<u>786,285</u>
Changes in net position	1,135,769	(39,605)
Net Position - Beginning of Year	<u>6,072,860</u>	<u>499,843</u>
Net Position - End of Year	<u>\$ 7,208,629</u>	<u>\$ 460,238</u>

See accompanying notes to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

Community Services: includes activities that provide services to community participants other than students.

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenditures are presented by natural classification.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: used to account for the proceeds from general obligation bonds and the renovation, and construction of classrooms and school facilities.

Bond Interest and Redemption Fund: used to account for the payment of principal and interest on general long-term debt.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Adult Education Fund: used to account for resources restricted or committed to adult education programs maintained by the District.

Child Development Fund: used to account for resources committed to child development programs.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's food service programs.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Maintenance Fund: used for the purpose of major repair or replacement of District property. The District has taken formal action to commit state apportionment funding from the local control funding formula to this fund for the continued operation of the original program. The fund, therefore, meets the requirements to be reported as a Special Revenue fund.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

Special Reserve Fund: used to account for specific board-approved capital expenditures.

Proprietary Funds

Self-Insurance Fund

Internal Service Fund: used to account for payment of current year retiree healthcare costs within the Retiree Benefits Self-Insurance Fund.

Fiduciary Funds

Retiree Benefits Trust Fund: used to accumulate irrevocable contributions for future retiree healthcare costs.

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates seven Associated Student Body funds.

Agency Activities

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the County Treasury amounting to \$839,973 on June 30, 2017, with represents withholdings payable.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

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 in the County Treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2017, the inventory for supplies is \$80,444. The inventory for food is \$31,183.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. 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.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	35 years
Furniture and equipment	5-15 years
Vehicles	8 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources - Pensions

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

The deferred outflows of resources resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 12 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that eligibility requirements have been met. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

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.

Deferred Inflows of Resources - Pensions

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources, results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion, the changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 12 to the financial statements.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District. The residual balance is classified as unrestricted net position.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to the Assistant Superintendent of Administrative Services to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The Board of Education recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board has established and the District has maintained a general fund reserve of 6% for economic uncertainty, which exceeds the requirements of law of 3%.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes are not material and have therefore not been accrued in the Government-wide financial statements.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been excluded in the District's reporting entity:

The Burbank Education Foundation: The Foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. The Board of Directors is elected by their own Board and independent of any District Board of Education appointments. The Board is responsible for approving its own budget and accounting and finance related activities. Separate financial statements for the Foundation may be obtained through the District.

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: BUDGETS

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2017, \$2,340,414 of the District's bank balance of \$2,696,715 was exposed to credit risk as uninsured and collateral held by pledging bank's trust department not in the District's name.

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of pooled investments at June 30, a is measured at 99.4047% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

Investments with Fiscal Agent

Investments held by the District's Grantor Trust (the Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Sections 16430, 53601 and 53602. The Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2017.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District did not have any investments in the Level 2 or 3 category. Investments' fair value measurements at June 30, 2017 are presented below:

<u>Investment</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Mutual Funds	\$ 7,208,629	\$ 7,208,629

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Since all investments are in mutual funds, the District is

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS

not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk. As of June 30, 2017, the Trust's investments in mutual funds are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with GASB, the District is exposed to concentration of credit risk whenever an investment in any one issuer exceeds 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 consists of the following:

			Non-Major Governmental	Total Governmental	Governmental
<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Activities</u>
Federal and state	\$ 5,816,089	\$	\$ 435,960	\$ 6,252,049	\$ 6,252,049
Miscellaneous	1,057,482	217,716	169,595	1,444,793	1,446,991
Total accounts receivable	<u>\$ 6,873,571</u>	<u>\$ 217,716</u>	<u>\$ 605,555</u>	<u>\$ 7,696,842</u>	<u>\$ 7,699,040</u>

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 5: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2017 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,029,688	\$
Non-Major Governmental Funds:		
Child Development Fund		915,561
Cafeteria Fund		114,127
Total	\$ 1,029,688	\$ 1,029,688

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2016-17 year are as follows:

Transfer from the General Fund to the Child Development Fund to support the child development program.	\$ 665,200
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for City of Burbank prior year rebate for construction.	100,000
Total	\$ 765,200

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 6: FUND BALANCES

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Cash in revolving fund	\$ 25,060	\$	\$	\$	\$ 25,060
Inventories	80,444			31,183	111,627
Total nonspendable	<u>105,504</u>	<u>-</u>	<u>-</u>	<u>31,183</u>	<u>136,687</u>
Restricted:					
Legally restricted programs	4,694,170			1,443,969	6,138,139
Capital projects		36,081,793		3,378,102	39,459,895
Debt service			13,739,113		13,739,113
Total restricted	<u>4,694,170</u>	<u>36,081,793</u>	<u>13,739,113</u>	<u>4,822,071</u>	<u>59,337,147</u>
Committed:					
Adult education program				3,406,512	3,406,512
Deferred maintenance program				4,212,352	4,212,352
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,618,864</u>	<u>7,618,864</u>
Assigned:					
Capital projects				2,265,091	2,265,091
LCAP Supplemental	319,485				319,485
Current over accrued vacation liability	393,360				393,360
One time funds carryover	1,151,347				1,151,347
Site and one-time carryover	226,256				226,256
CSEA Job Realignment	240,000				240,000
Total assigned	<u>2,330,448</u>	<u>-</u>	<u>-</u>	<u>2,265,091</u>	<u>4,595,539</u>
Unassigned:					
Economic uncertainties	9,533,992				9,533,992
Unassigned	2,258,980				2,258,980
Total unassigned	<u>11,792,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,792,972</u>
Total fund balance	<u>\$ 18,923,094</u>	<u>\$ 36,081,793</u>	<u>\$ 13,739,113</u>	<u>\$ 14,737,209</u>	<u>\$ 83,481,209</u>

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 7,621,124	\$	\$	\$ 7,621,124
Construction in progress	37,333,816	8,743,839	(29,193,054)	16,884,601
Total capital assets not being depreciated	<u>44,954,940</u>	<u>8,743,839</u>	<u>(29,193,054)</u>	<u>24,505,725</u>
Capital assets being depreciated:				
Site improvements	28,866,576	4,622,220		33,488,796
Building and improvements	288,408,658	44,832,953		333,241,611
Equipment	7,043,757	260,978	(102,734)	7,202,001
Total capital assets being depreciated	<u>324,318,991</u>	<u>49,716,151</u>	<u>(102,734)</u>	<u>373,932,408</u>
Less accumulated depreciation for:				
Site improvements	(6,416,040)	(792,312)		(7,208,352)
Buildings	(112,388,829)	(7,616,816)		(120,005,645)
Equipment	(4,165,364)	(588,701)	99,540	(4,654,525)
Total accumulated depreciation	<u>(122,970,233)</u>	<u>(8,997,829)</u>	<u>99,540</u>	<u>(131,868,522)</u>
Depreciable assets, net	<u>201,348,758</u>	<u>40,718,322</u>	<u>(3,194)</u>	<u>242,063,886</u>
Governmental activities capital assets, net	<u>\$ 246,303,698</u>	<u>\$ 49,462,161</u>	<u>\$ (29,196,248)</u>	<u>\$ 266,569,611</u>

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Cumulative Effect	Additions	Reductions	Balance June 30, 2017	Amount Due in One Year
General Obligations Bonds						
Bond A	\$ 1,527,234	\$	\$	\$ 242,349	\$ 1,284,885	\$ 232,051
Bond B	9,960,877			1,378,150	8,582,727	1,338,489
Bond C	25,545,860			2,613,364	22,932,496	2,518,074
Series 2013 Bond	40,542,990			435,000	40,107,990	
Series 2015 Bond	34,998,497				34,998,497	
Series 2017 Bond			34,001,109		34,001,109	
Accreted Interest						
Bond A	2,749,987		226,297	447,651	2,528,633	472,949
Bond B	14,472,120		1,436,522	2,096,850	13,811,792	2,221,511
Bond C	27,406,176		2,795,344	2,641,636	27,559,884	2,881,926
Bond 2013	2,392,700		970,698		3,363,398	
Bond 2015	715,491		745,787		1,461,278	
Series 2013 Bond Premium	1,558,123			70,824	1,487,299	
Series 2015 Bond Premium	2,920,579			153,715	2,766,864	
Series 2017 Bond Premium			2,460,851	36,189	2,424,662	
Total Bonds	164,790,634	-	42,636,608	10,115,728	197,311,514	9,665,000
Capital Leases	12,370,426		938,619	1,359,926	11,949,119	1,331,005
Compensated Absences	1,271,178		200,986		1,472,164	
Net OPEB	10,525,424	23,216,442	1,582,037		35,323,903	
Net Pension Liability	123,487,694		32,386,090		155,873,784	
	<u>\$312,445,356</u>	<u>\$ 23,216,442</u>	<u>\$ 77,744,340</u>	<u>\$ 11,475,654</u>	<u>\$ 401,930,484</u>	<u>\$ 10,996,005</u>

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, net OPEB obligations and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 9: LEASES

Capital Leases

The District leases equipment valued at approximately \$13,500,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 1,594,262
2019	1,360,218
2020	998,959
2021	792,282
2022	625,221
2023-2027	3,673,245
2028-2032	4,576,635
2033	631,093
Total	14,251,915
Less amount representing interest	2,302,796
Present value of net minimum lease payments	<u>\$ 11,949,119</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Operating Leases

The District has entered into various operating leases for vehicles with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 138,100
2019	138,100
2020	138,100
2021	57,791
2022	40,454
Total	<u>\$ 512,545</u>

Current year expenditures for operating leases is approximately \$95,500. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 10: GENERAL OBLIGATION BONDS

Election 1997

On April 8, 1997, \$112,500,000 in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the renovation, construction, and modernization of classrooms and school facilities.

Between August 1997 and July 2002, the District issued bonds, Series A – C, totaling \$112,494,996. In February 2011, the District issued a refunding bond to refund portions of Series C. As of June 30, 2016, the 2011 Refunding Bond was liquidated.

Capital appreciation bonds were issued as part of Series A, B and C with maturity dates from August 1, 2009 through 2022, August 1, 2011 through 2023, and August 1, 2015 through 2028, respectively. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest is accrued and included as an addition in the long-term debt schedule.

Measure S – 2013 General Obligation Bonds

On March 5, 2013, \$110,000,000 in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance the improvement of student safety and security including upgraded fire protection, increased energy efficiency and improved accessibility for students with disabilities.

Between May 2013 and July 2015, the District issued bonds, Series 2013 and 2015A, totaling \$75,996,487.

Convertible capital appreciation bonds were issued as part of Series 2013 and 2015A with maturity dates from August 1, 2033 through February 1, 2038 and August 1, 2031 through August 1, 2034, respectively. These bonds convert to current interest bonds on August 1, 2023 (the conversion date). Prior to the conversion date, each bond will accrue accreted interest on the principal component, with all interest accreting through the conversion date and payable only upon maturity or prior payment of the principal component. Accreted interest is accrued and included as an addition in the long-term debt schedule.

Premium is amortized on a straight-line basis over the life of the respective bond.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Election 1997					
Series A	8/1/1997	8/1/2022	3.9-5.7	\$ 7,497,787	\$ 1,284,885
Accreted Interest					2,528,633
Series B	8/1/1998	8/1/2023	4.1-5.3	39,996,370	8,582,727
Accreted Interest					13,811,792
Series C	7/1/2002	8/1/2028	3.0-5.7	65,000,839	22,932,496
Accreted Interest					27,559,884
Measure S					
Series 2013	5/16/2013	2/1/2038	2.5-5.0	40,997,990	40,107,990
Accreted Interest					3,363,398
Series 2015A	8/1/2015	8/1/2034	3.0-5.0	34,998,497	34,998,497
Accreted Interest					1,461,278
Series 2017	3/15/2017	8/1/2032	3.125-5.0	34,001,109	34,001,109
				<u>\$ 222,492,592</u>	<u>190,632,689</u>
Unamortized Bond Premium					6,678,825
Total Bonds Payable					<u>\$ 197,311,514</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

1997 Election

Year Ending June 30,	Principal	Accreted Interest	Total
2018	\$ 4,088,614	\$ 5,576,386	\$ 9,665,000
2019	3,938,348	5,986,652	9,925,000
2020	3,798,577	6,386,423	10,185,000
2021	3,659,751	6,800,249	10,460,000
2022	3,518,095	7,221,905	10,740,000
2023-2027	12,051,896	29,688,104	41,740,000
2028-2029	1,744,827	5,375,173	7,120,000
Total	<u>\$ 32,800,108</u>	<u>\$ 67,034,892</u>	<u>\$ 99,835,000</u>

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 10: GENERAL OBLIGATION BONDS

Measure S

Year Ending June 30,	Principal	Current Interest	Accreted Interest	Total
2018	\$	\$ 2,130,167	\$	\$ 2,130,167
2019	875,000	2,670,925		3,545,925
2020	200,000	2,644,675		2,844,675
2021		2,638,675		2,638,675
2022	145,000	2,638,675		2,783,675
2023-2027	10,965,000	16,530,175	5,826,675	33,321,850
2028-2032	55,217,510	13,046,950	13,152,364	81,416,824
2033-2037	35,824,131	5,534,250	16,467,319	57,825,700
2038	5,880,955	479,588	5,502,942	11,863,485
Total	<u>\$ 109,107,596</u>	<u>\$ 48,314,080</u>	<u>\$ 40,949,300</u>	<u>\$ 198,370,976</u>

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). Certificated employees may retire and receive District-paid contributions towards healthcare upon attainment of age 55 and completion of 15 years or continuous District service. The District pays the single premium for medical coverage for a retiree until age 65, at which time benefits cease.

Classified employees may retire under PERS and receive District-paid statutory minimum benefits under Public Employees Medical and Hospital Care Act (PEMHCA) for their further lifetime, with outgoing benefits to their surviving spouses, if any. For classified employees who have attained age 55 and completed 15 years of service at retirement, the District pays a supplement equal to the highest PEMHCA HMO retiree-only premium plus vision coverage until age 65 or for a minimum of 5 years if retirement occurs after age 60. Retirees may then continue coverage under PEMHCA and receive the statutory minimum for their further lifetime. Classified employees hired on or after August 1, 2004 are subject to a medical cap of \$3,485. Benefits are pro-rated for part-time employees based on their full-time equivalency (FTE) at time of retirement.

Management employees may retire and receive District-paid retiree medical, retiree vision, and dependent medical benefits after attainment of age 55 and completion of either 5 years of continuous service in a management, supervisory or confidential position. District-paid benefits continue until age 65 or for a minimum of 5 years if retirement occurs after age 60.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The Retiree Health Plan does not issue a separate financial report.

Plan Membership

Membership of the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	354
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	1,422
Total	1,776

Funding Policy

The District calculates a percentage on all salaries to support both the pay-as-you-go funding of retiree benefits and additional discretionary contributions toward the unfunded liability.

During 2016-17, the District charged 1.75% of salaries for pay-as-you-go funding which consists of 100% of current year premiums for eligible retired plan members and their spouses as applicable and 1.125% of salaries for the unfunded liability. For the year ended June 30, 2017, the District contributed \$1,913,143 to the plan.

The components of the net OPEB liability of the District at June 30, 2017 was as follows:

Net OPEB Liability	Balance June 30, 2017
Total OPEB liability	\$ 42,532,532
Plan fiduciary net position	7,208,629
District's net OPEB liability (asset)	\$ 35,323,903

Plan fiduciary net position as a percentage of the total OPEB liability (asset)	16.95%
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Investments

The Plan's policy for allocation of invested assets is established and may be amended by the District's agreement with their Investment Manager. It is the policy of the Investment Manager to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan may be invested in accordance with California Government Code Sections 53600 through 53622. The

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span and, except for liquidity purposes, the use of cash equivalents. The Investment Manager has established a target net return of 6%. The Members will periodically review the reasonableness of this target rate with the Investment Manager. The table below summarizes the asset allocation strategic parameters.

	<u>Trust Policy</u>	<u>Trust Holdings</u>
Equity Holdings	10% (+/- .5%)	10%
Cash and Fixed Income Holdings	90% (+/- .5%)	90%
Yield Target	1%	2.7%
Credit Quality	≥ BBB	A-
Duration shall not exceed	7 Years	5 Years

At June 30, 2017, all Plan investments were in mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan's investments' fair value measurements at June 30, 2017 are presented below:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value Measurements</u>
		<u>Level 1</u>
Mutual Fund - Equity	\$ 330,071	\$ 338,434
Mutual Fund - Corporate Bonds	4,537,097	4,539,328
Mutual Fund - Balanced	1,298,411	1,298,411
Closed End Funds - Equity	1,032,456	1,032,456
Total	<u>\$ 7,198,035</u>	<u>\$ 7,208,629</u>

Actuarial Methods and Assumptions

The District's net OPEB liability (asset) was measured as of June 30, 2017, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Inflation	Not available
Salary Increases	3%
Investment Rate of Return	6%
Health Care Trend Rate	8% or 7% for 2017

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP 2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The long-term expected rate of return on the 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 investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.0 percent. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are as follows:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity Holdings	10%	1.00%
Cash and Fixed Income Holdings	90%	1.00%

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Since the most recent GASB 45 valuation, the key rates remained unchanged as follows:

- The discount rate and expected rate of return on assets - 6%
- The initial healthcare trend rate changes from – 8%

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 39,814,726	\$ 6,072,860	\$ 33,741,866
Changes for the year:			
Service cost	1,315,786		1,315,786
Interest	2,360,547		2,360,547
Employer contributions		1,913,143	(1,913,143)
Net investment income		188,955	(188,955)
Benefit payments	(958,527)	(958,527)	-
Administrative expenses		(7,802)	7,802
Net changes	<u>2,717,806</u>	<u>1,135,769</u>	<u>1,582,037</u>
Balances at June 30, 2017	<u>\$ 42,532,532</u>	<u>\$ 7,208,629</u>	<u>\$ 35,323,903</u>

The following presents the District’s net OPEB liability calculated using the discount rate of 6.0 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0) than the current rate:

<u>Sensitivity discount rate</u>	<u>Net OPEB Liability (Asset)</u>
1% decrease (5%)	\$ 39,983,303
Current discount rate (6%)	35,323,903
1% increase (7%)	31,327,174

The following presents the District’s net OPEB liability calculated using the current healthcare cost trend rate of 8.0 percent decreasing to 5.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current rate:

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (7% decreasing to 4%)	\$ 32,951,538
Current healthcare trend rate (8% decreasing to 5%)	35,323,903
1% increase (9% decreasing to 6%)	38,061,385

OPEB Expense

For the year ended June 30, 2017, the District recognized OPEB expense of \$958,527.

NOTE 12: EMPLOYEE RETIREMENT PLANS

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).

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 113,233,400	\$ 23,397,742	\$ 2,762,200	\$ 11,887,890
CalPERS (Schools Pool Plan)	42,640,384	12,419,400	1,405,358	5,467,425
Total	<u>\$ 155,873,784</u>	<u>\$ 35,817,142</u>	<u>\$ 4,167,558</u>	<u>\$ 17,355,315</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.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contribution 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. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$9,259,795.

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

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

	Balance June 30, 2017
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 113,233,400
State's proportionate share of the net pension liability associated with the District	64,471,245
Total	\$ 177,704,645

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.1400%.

For the year ended June 30, 2017, the District recognized pension expense of \$11,887,890 and revenue of \$6,231,824 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,259,795	\$
Difference between expected and actual experience		2,762,200
Difference in proportion	5,135,947	
Net differences between projected and actual earnings on plan investments	9,002,000	
Total	\$ 23,397,742	\$ 2,762,200

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: EMPLOYEE RETIREMENT PLANS

the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2018	\$ 2,732,823
2019	2,732,823
2020	2,732,823
2021	2,732,823
2022	482,322
2023	(37,867)
Total	<u>\$ 11,375,747</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

NOTE 12: EMPLOYEE RETIREMENT PLANS

major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles 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 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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%) 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:

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: EMPLOYEE RETIREMENT PLANS

	Net Pension Liability
Discount rate	
1% decrease (6.60%)	\$ 162,968,400
Current discount rate (7.60%)	113,233,400
1% increase (8.60%)	71,926,400

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

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 5 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 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$3,969,039.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$42,640,384. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.2159%.

For the year ended June 30, 2017, the District recognized pension expense of \$5,467,425. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 12: EMPLOYEE RETIREMENT PLANS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,969,039	\$
Net difference between expected and actual experience	1,833,945	
Effect of changes in proportion		124,268
Effect of changes in assumptions		1,281,090
Net differences between projected and actual earnings on plan investments	6,616,416	
Total	\$ 12,419,400	\$ 1,405,358

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2018	\$ 1,051,499
2019	1,058,554
2020	3,208,124
2021	1,726,826
Total	\$ 7,045,003

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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 10 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

NOTE 12: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 63,619,690
Current discount rate (7.65%)	42,640,384
1% increase (8.65%)	25,170,983

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13: ALTERNATE PENSION PLANS

Accumulation Program for Part-Time and Limited Service Employees (APPLE)

Plan Description and Contribution Information

The Accumulation Program for Part-Time and Limited Service Employees (APPLE) is a defined contribution plan qualifying under section 401(a) and section 501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by section 3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the APPLE Administration Committee. Contributions of 7.5% of covered compensation of eligible employees are made by the employee. Employees receive their contributions plus accumulated earnings upon withdrawal.

Contribution by Employee for the year	\$138,503
Contributions by Employer for the year	\$138,503
Pension expense recognized by Employer	\$ 0

Total contributions made are 100% of the amount of contributions required for fiscal year 2016-17.

NOTE 14: JOINT POWERS AGREEMENTS

The District participates in three joint powers agreement (JPA) entities, the Schools Linked for Insurance Management (SLIM), the West San Gabriel Liability and Property Self-Insurance Fund (WSGLPSIF) and the Alliance of Schools in Cooperative Insurance Programs (ASCIP).

SLIM provides workers' compensation coverage for its eight member districts. As of July 1, 2017, the District discontinued their relationship with SLIM and became a member of West San Gabriel Workers' Compensation JPA.

WSGLPSIF arranges for and provides property and liability insurance for its nine member school districts.

ASCIP provides the District with vision and dental programs.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters and maintains their own accounting

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 14: JOINT POWERS AGREEMENTS

records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information is as follows:

	SLIM	WSGLPSIF	ASCIP
	June 30, 2017	June 30, 2017	June 30, 2016
	(Unaudited)	(Audited)	(Audited)
JPA Condensed Financial Information			
Total assets and deferred outflows of resources	\$ 13,184,328	\$ 14,896,742	\$ 408,305,220
Total liabilities and deferred inflows of resources	7,117,608	2,318,212	223,490,349
Fund balance	6,066,720	12,578,530	184,814,871
Total revenues	14,170,227	3,813,070	271,770,851
Total expenditures	14,985,160	4,653,065	244,523,681

**NOTE 15: CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND
RESTATEMENT TO BEGINNING NET POSITION**

The beginning net position of the government-wide financial statements has been restated by a reduction of \$23,216,442 to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statements No. 74 and No. 75.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

BURBANK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 16: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2,425,000. Projects will be funded through Bond Proceeds, Capital Facilities Funds, and General Funds.

NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 81 – Irrevocable Split-Interest Agreements

This statement was issued in March 2016 and establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 83 – Certain Asset Retirement Obligations

This statement was issued in November 2016 and addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 85 – Omnibus 2017

This statement was issued in March 2017 and addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

**NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for the fiscal year 2017-18.

Statement No. 86 – Certain Debt Extinguishment Issues

This statement was issued in May 2017 and addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resource other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement is effective for the fiscal year 2017-18.

Statement No. 87 – Leases

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for the fiscal year 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2017**

	Budgetary Amounts		Actual Amounts
	Original	Final	
Revenues			
Local control funding formula sources:			
State apportionments	\$ 83,265,566	\$ 82,597,478	\$ 76,818,275
Local sources	37,925,207	40,362,497	44,652,579
Total local control funding formula sources	121,190,773	122,959,975	121,470,854
Federal sources	6,336,805	6,674,016	6,542,681
Other state sources	17,903,986	24,237,580	24,426,519
Other local sources	1,846,601	4,773,216	4,014,140
Total Revenues	<u>147,278,165</u>	<u>158,644,787</u>	<u>156,454,194</u>
Expenditures			
Certificated salaries	70,558,892	75,179,574	75,179,574
Classified salaries	23,249,260	25,662,175	25,645,666
Employee benefits	31,223,790	40,102,674	39,981,800
Books and supplies	4,997,112	10,956,947	5,547,276
Services and other operating expenditures	13,401,457	15,911,730	15,879,280
Capital outlay	97,681	587,060	549,520
Other outgo	629,740	1,108,383	752,943
Direct support - indirect cost	(715,527)	(762,280)	(754,102)
Debt service	1,609,539	1,767,680	2,707,977
Total Expenditures	<u>145,051,944</u>	<u>170,513,943</u>	<u>165,489,934</u>
Excess (deficiency) of revenues over expenditures	<u>2,226,221</u>	<u>(11,869,156)</u>	<u>(9,035,740)</u>
Other Financing Sources (Uses)			
Proceeds from capital leases			938,619
Interfund transfers out		(419,617)	(765,200)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(419,617)</u>	<u>173,419</u>
Net change in fund balances	<u>\$ 2,226,221</u>	<u>\$ (12,288,773)</u>	<u>(8,862,321)</u>
Fund Balance - Beginning of Year			<u>27,785,415</u>
Fund Balance - End of Year			<u>\$ 18,923,094</u>

See the accompanying notes to the required supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017**

State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.1310%	0.1360%	0.1400%
District's proportionate share of the net pension liability (asset)	\$ 76,552,470	\$ 91,560,640	\$ 113,233,400
State's proportionate share of the net pension liability (asset) associated with the District	<u>46,226,151</u>	<u>48,425,355</u>	<u>64,471,245</u>
Total	<u>\$ 122,778,621</u>	<u>\$ 139,985,995</u>	<u>\$ 177,704,645</u>
District's covered payroll	\$56.0 Million	\$68.5 Million	\$67.8 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	136.70%	133.72%	167.01%
Plan fiduciary net position as a percentage of the total pension liability	76.50%	74.02%	74.04%
California Public Employees' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.2172%	0.2166%	0.2159%
District's proportionate share of the net pension liability (asset)	<u>\$ 24,657,488</u>	<u>\$ 31,927,054</u>	<u>\$ 42,640,384</u>
District's covered payroll	\$21.3 Million	\$24.2 Million	\$26.1 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	115.76%	132.04%	163.50%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.40%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 5,708,080	\$ 7,279,029	\$ 9,259,795
Contributions in relation to the contractually required contribution	<u>5,708,080</u>	<u>7,279,029</u>	<u>9,259,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$64.3 Million	\$67.8 Million	\$73.6 Million
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%
<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 2,874,389	\$ 3,089,291	\$ 3,969,039
Contributions in relation to the contractually required contribution	<u>2,874,389</u>	<u>3,089,291</u>	<u>3,969,039</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$24.2 Million	\$26.1 Million	\$28.6 Million
Contributions as a percentage of covered payroll	11.771%	11.847%	13.888%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2017**

Total OPEB Liability	2017
Service Cost	\$ 1,315,786
Interest	2,360,547
Benefit Payments	<u>(958,527)</u>
Net Change in Total OPEB Liability	2,717,806
Total OPEB Liability - beginning	<u>39,814,726</u>
Total OPEB Liability - ending (a)	<u><u>\$ 42,532,532</u></u>
Plan Fiduciary Net Position	2017
Contributions - Employer	\$ 1,913,143
Net Investment Income	188,955
Benefit Payments	(958,527)
Administrative Expense	<u>(7,802)</u>
Net Change in Plan Fiduciary Net Position	1,135,769
Plan Fiduciary Net Position - beginning	<u>6,072,860</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 7,208,629</u></u>
 Net OPEB Liability (Asset) - ending (a) - (b)	 <u><u>\$ 35,323,903</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 16.95%
 Covered payroll	 \$ 108,080,227
 Net OPEB liability (asset) as a percentage of covered payroll	 32.68%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017**

<u>OPEB Contributions</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 3,082,097
Contributions in relation to the ADC	<u>2,166,222</u>
Contribution deficiency (excess)	<u>\$ 915,875</u>
District's covered payroll	\$ 108,080,227
Contributions as a percentage of covered payroll	2.00%

See the accompanying notes to the required supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2017**

June 30, 2017

Annual money-weighted rate of return, net of investment expense	2.96%
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Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General

A budgetary comparison is presented for the general fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year-end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – None

Changes of Assumptions – The discount rate and expected rate of return on assets remained unchanged at 6% and the initial healthcare trend rate remained unchanged at 8%.

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of July 1, 2016.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry age normal
Inflation	Not available
Salary Increases	3%
Investment Rate of Return	6%
Health Care Trend Rate	8% decreasing to 5%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table and post-retirement mortality rates were based on RP-2014 Health Annuitant Mortality Table.

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund in the Other Outgo account by \$593,035.

SUPPLEMENTARY INFORMATION

BURBANK UNIFIED SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2017**

The District was established on July 1, 1936, and is comprised of an area of approximately 17.1 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the year. The District operates eleven elementary schools, three middle schools, two comprehensive high schools, one adult school, one continuation high school, a special education school and eleven children's centers.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Steve Ferguson	President	May 2019
Dr. Roberta Reynolds	Vice President	May 2019
Dr. Armond Aghakhanian	Clerk	May 2019
Ms. Charlene Tabet	Member	May 2021
Mr. Steve Frintner	Member	May 2021

DISTRICT ADMINISTRATORS

Mr. Matt Hill	Superintendent
Mr. David Jaynes	Assistant Superintendent of Administrative Services

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2017**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2017 are as follows:

	Revised Second Period	Annual
Grades Transitional Kindergarten through third:		
Regular ADA	4,033	4,038
Extended year special education	7	7
Special education - nonpublic, nonsectarian schools	2	2
Total grades transitional kindergarten through third ADA	<u>4,042</u>	<u>4,047</u>
Grades four through six:		
Regular ADA	3,084	3,081
Extended year special education	5	5
Special education - nonpublic, nonsectarian schools	4	4
Extended year special education - nonpublic, nonsectarian schools	-	1
Total grades four through six ADA	<u>3,093</u>	<u>3,091</u>
Grades seven and eight:		
Regular ADA	2,318	2,316
Extended year special education	3	3
Special education - nonpublic, nonsectarian schools	7	6
Extended year special education - nonpublic, nonsectarian schools	1	1
Total grades seven and eight ADA	<u>2,329</u>	<u>2,326</u>
Grades nine through twelve:		
Regular ADA	5,187	5,163
Extended year special education	7	7
Special education - nonpublic, nonsectarian schools	21	21
Extended year special education - nonpublic, nonsectarian schools	3	3
Community day school	17	17
Total grades nine through twelve ADA	<u>5,235</u>	<u>5,211</u>
Total ADA	<u>14,699</u>	<u>14,675</u>

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2017**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	36,398	180	In Compliance
Grade 1	50,400	51,082	180	In Compliance
Grade 2	50,400	51,082	180	In Compliance
Grade 3	50,400	54,457	180	In Compliance
Grade 4	54,000	54,457	180	In Compliance
Grade 5	54,000	54,457	180	In Compliance
Grade 6	54,000	63,960	180	In Compliance
Grade 7	54,000	63,960	180	In Compliance
Grade 8	54,000	63,960	180	In Compliance
Grade 9	64,800	65,407	180	In Compliance
Grade 10	64,800	65,407	180	In Compliance
Grade 11	64,800	65,407	180	In Compliance
Grade 12	64,800	65,407	180	In Compliance

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Basic Breakfast	10.553	13525	\$ 10,225
Child Nutrition Program-Especially Needy Breakfast	10.553	13526	522,401
Child Nutrition Program-Lunch	10.555	13396	1,514,603
Child Nutrition Program-Commodities	10.555	13396	<u>150,279</u>
Total: Child Nutrition Cluster			2,197,508
Child Nutrition: CCFP Claims - Centers and Family Day Care	10.558	13393	<u>62,298</u>
Total: United States Department of Agriculture			<u>2,259,806</u>
United States Department of Education			
Pass-Through Program From Foothill-SELPA			
Special Education Cluster:			
IDEA: Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	2,669,926
IDEA: Local Private Schools	84.027	10115	55,590
IDEA: Preschool Grants	84.173	13430	54,478
IDEA: Preschool Staff Development	84.173A	13431	641
IDEA: Preschool Local Entitlement	84.027A	13682	178,647
IDEA: Mental Health Services, Part B, Sec 611	84.027A	14468	181,882
IDEA: We Can Work	84.027	01110	<u>68,734</u>
Total: Special Education Cluster			3,209,898
IDEA: Early Intervention Part C	84.181	23761	<u>2,068</u>
Subtotal: Foothill-SELPA			<u>3,211,966</u>
Pass-Through Programs From the California Department of Education			
Title I, Part A	84.010	14239	2,145,477
Title II, Improving Teacher Quality	84.330	14831	398,587
Title III, Limited English Proficiency	84.367	14341	187,306
Adult Education Basic Grants to States:			
Adult Basic Education & ESL	84.002A	14508	159,438
Adult Education: Adult Secondary Education, Section 231	84.002	13978	167,170
English Literacy and Civics Education	84.002A	14109	<u>82,693</u>
Total Adult Education Basic Grants to States			409,301
Career and Technical Education:			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	82,309
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	<u>42,672</u>
Total Career and Technical Education			124,981
Subtotal: Passed through from the California Department of Education			<u>3,265,652</u>
Total: United States Department of Education			<u>6,477,618</u>

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Health and Human Services			
Pass-Through Program From California Department of Education:			
Child Development - Federal Child Care	93.596	13609	152,297
Medi-Cal Administrative Activities (MAA)	93.778	(1)	62,022
Medi-Cal Billing Option	93.773	10013	<u>434,472</u>
Total: United States Department of Health and Human Services			<u>648,791</u>
Total Federal Programs Expenditures			<u>\$ 9,386,215</u>
 Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 9,386,215
Revenues in excess of expenditures related to Federal Entitlements:			
Child Development: Federal Child Care			36,849
Medi-Cal Administrative Activities (MAA)			119,351
Expenditures in excess of revenues related to Federal Entitlements:			
Child Nutrition: CCFP Claims - Centers and Family Day Care			(1,986)
Medi-Cal Billing Option			<u>(98,810)</u>
Total Federal Program Revenue			<u>\$ 9,441,619</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$150,279 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>2018 (Budgeted)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenues	\$ 146,175,810	\$ 156,454,194	\$ 154,512,678	\$ 144,538,112
Total expenditures	149,674,130	165,489,934	147,340,522	146,898,245
Other financing sources (uses)	<u>(158,668)</u>	<u>173,419</u>	<u>1,266,867</u>	<u>-</u>
Change in fund balance	(3,656,988)	(8,862,321)	8,439,023	(2,360,133)
Ending fund balance	<u>\$ 15,266,106</u>	<u>\$ 18,923,094</u>	<u>\$ 27,785,415</u>	<u>\$ 19,346,392</u>
Available reserve	<u>\$ 9,624,750</u>	<u>\$ 11,792,972</u>	<u>\$ 17,989,713</u>	<u>\$ 16,669,961</u>
Available reserve %	6%	7%	12%	11%
ADA	<u>14,705</u>	<u>14,699</u>	<u>14,628</u>	<u>14,780</u>
Total long term debt	<u>\$ 390,934,479</u>	<u>\$ 401,930,484</u>	<u>\$ 312,445,356</u>	<u>\$ 252,558,511</u>

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

The 2018 budget is the original budget adopted by the Board of Education

For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2017, the District has met this requirement.

BURBANK UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2017**

<u>Charter School</u>	<u>Included in District Audit Report</u>
Options for Youth	No

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

There were no differences between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance 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 not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

BURBANK UNIFIED SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
Assets							
Cash in county treasury	\$ 4,409,313	\$ 349,130	\$ 293,916	\$ 4,290,799	\$ 2,310,726	\$ 3,400,352	\$ 15,054,236
Cash on hand and in banks	92,568	915,561	114,127				1,122,256
Accounts receivable	164,489	87,497	280,564	22,198	35,751	15,056	605,555
Inventories			31,183				31,183
Total Assets	\$ 4,666,370	\$ 1,352,188	\$ 719,790	\$ 4,312,997	\$ 2,346,477	\$ 3,415,408	\$ 16,813,230
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 207,282	\$ 374,024	\$ 73,584	\$ 100,645	\$ 81,386	\$ 37,305	\$ 874,226
Due to other funds		915,561	114,127				1,029,688
Unearned revenue		62,603	109,504				172,107
Total Liabilities	207,282	1,352,188	297,215	100,645	81,386	37,305	2,076,021
Fund Balances							
Nonspendable			31,183				31,183
Restricted	1,052,576		391,392			3,378,103	4,822,071
Committed	3,406,512			4,212,352			7,618,864
Assigned					2,265,091		2,265,091
Total Fund Balances	4,459,088	-	422,575	4,212,352	2,265,091	3,378,103	14,737,209
Total Liabilities and Fund Balances	\$ 4,666,370	\$ 1,352,188	\$ 719,790	\$ 4,312,997	\$ 2,346,477	\$ 3,415,408	\$ 16,813,230

See the accompanying notes to the optional supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
Revenues							
Federal sources	\$ 451,973	\$ 249,456	\$ 2,197,509	\$	\$	\$	\$ 2,898,938
Other state sources	2,604,907	787,289	157,983	613,900			4,164,079
Other local sources	340,642	4,130,455	1,572,553	45,704	347,305	570,697	7,007,356
Total Revenues	<u>3,397,522</u>	<u>5,167,200</u>	<u>3,928,045</u>	<u>659,604</u>	<u>347,305</u>	<u>570,697</u>	<u>14,070,373</u>
Expenditures							
Instruction	1,413,438	4,289,812					5,703,250
Instruction - related services	995,085	662,706					1,657,791
Pupil services	152,730	264,771	3,618,539				4,036,040
Enterprise activities		28,728	199				28,927
General administration	182,358	397,333	174,410				754,101
Plant services	802,462	292,164	85,539	385,456	494,503	112,585	2,172,709
Total Expenditures	<u>3,546,073</u>	<u>5,935,514</u>	<u>3,878,687</u>	<u>385,456</u>	<u>494,503</u>	<u>112,585</u>	<u>14,352,818</u>
Excess (deficiency) of revenues over expenditures	<u>(148,551)</u>	<u>(768,314)</u>	<u>49,358</u>	<u>274,148</u>	<u>(147,198)</u>	<u>458,112</u>	<u>(282,445)</u>
Other Financing Sources							
Interfund transfers in		665,200				100,000	765,200
Total Other Financing Sources	<u>-</u>	<u>665,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>765,200</u>
Net changes in fund balance	(148,551)	(103,114)	49,358	274,148	(147,198)	558,112	482,755
Fund Balances at Beginning of Year	<u>4,607,639</u>	<u>103,114</u>	<u>373,217</u>	<u>3,938,204</u>	<u>2,412,289</u>	<u>2,819,991</u>	<u>14,254,454</u>
Fund Balances at End of Year	<u>\$ 4,459,088</u>	<u>\$ -</u>	<u>\$ 422,575</u>	<u>\$ 4,212,352</u>	<u>\$ 2,265,091</u>	<u>\$ 3,378,103</u>	<u>\$ 14,737,209</u>

See the accompanying notes to the optional supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
ASSOCIATED STUDENT BODY FUNDS**

June 30, 2017

	Burbank High School	John Burroughs High School	David Starr Jordan Middle School	Luther Burbank Middle School	John Muir Middle School	Burbank Adult School	Monterey Continuation School	Total Associated Student Body Funds
<u>Assets</u>								
Cash on hand and in banks	\$ 464,274	\$ 587,971	\$ 74,664	\$ 129,570	\$ 115,845	\$ 27,557	\$ 5,625	\$ 1,405,506
Total Assets	<u>464,274</u>	<u>587,971</u>	<u>74,664</u>	<u>129,570</u>	<u>115,845</u>	<u>27,557</u>	<u>5,625</u>	<u>1,405,506</u>
<u>Liabilities</u>								
Funds held in trust	280,251	472,764	27,621	111,415	53,217			945,268
Total Liabilities	<u>280,251</u>	<u>472,764</u>	<u>27,621</u>	<u>111,415</u>	<u>53,217</u>	<u>-</u>	<u>-</u>	<u>945,268</u>
<u>Net Position</u>								
Unrestricted	184,023	115,207	47,043	18,155	62,628	27,557	5,625	460,238
Total Net Position	<u>\$ 184,023</u>	<u>\$ 115,207</u>	<u>\$ 47,043</u>	<u>\$ 18,155</u>	<u>\$ 62,628</u>	<u>\$ 27,557</u>	<u>\$ 5,625</u>	<u>\$ 460,238</u>

See the accompanying notes to the optional supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ASSOCIATED STUDENT BODY FUNDS
For the Fiscal Year Ended June 30, 2017**

	Burbank High School	John Burroughs High School	David Starr Jordan Middle School	Luther Burbank Middle School	John Muir Middle School	Burbank Adult School	Monterey Continuation School	Total Associated Student Body Funds
Additions								
Revenue from local sources	\$ 246,805	\$ 230,183	\$ 75,000	\$ 89,750	\$ 90,113	\$ 13,427	\$ 1,402	\$ 746,680
Total Additions	<u>246,805</u>	<u>230,183</u>	<u>75,000</u>	<u>89,750</u>	<u>90,113</u>	<u>13,427</u>	<u>1,402</u>	<u>746,680</u>
Deductions								
Other expenses	<u>256,861</u>	<u>250,946</u>	<u>62,876</u>	<u>95,208</u>	<u>98,419</u>	<u>19,541</u>	<u>2,434</u>	<u>786,285</u>
Total Deductions	<u>256,861</u>	<u>250,946</u>	<u>62,876</u>	<u>95,208</u>	<u>98,419</u>	<u>19,541</u>	<u>2,434</u>	<u>786,285</u>
Changes in net position	(10,056)	(20,763)	12,124	(5,458)	(8,306)	(6,114)	(1,032)	(39,605)
Net Position - Beginning of Year	<u>194,079</u>	<u>135,970</u>	<u>34,919</u>	<u>23,613</u>	<u>70,934</u>	<u>33,671</u>	<u>6,657</u>	<u>499,843</u>
Net Position - End of Year	<u>\$ 184,023</u>	<u>\$ 115,207</u>	<u>\$ 47,043</u>	<u>\$ 18,155</u>	<u>\$ 62,628</u>	<u>\$ 27,557</u>	<u>\$ 5,625</u>	<u>\$ 460,238</u>

See the accompanying notes to the optional supplementary information.

BURBANK UNIFIED SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major and fiduciary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITORS' REPORT

**INDEPENDENT AUDITORS' 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***

Board of Education
Burbank Unified School District
Burbank, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Burbank Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

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

**INDEPENDENT AUDITORS' 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***

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 the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Education
Burbank Unified School District
Burbank, California

Report on Compliance for Each Major Federal Program

We have audited Burbank Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Burbank Unified School District
Burbank, California

We have audited the Burbank Unified School District's (the District) compliance with the types of compliance requirements described in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The District's State compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ¹
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Yes
Immunizations	Yes
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²Testing for Charter Schools was done by each school's respective auditor.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

FINDINGS AND QUESTIONED COSTS

BURBANK UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster

10.553, 10.555 Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

BURBANK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2017

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2017.

BURBANK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2017

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2017.

BURBANK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2017

STATE AWARDS FINDINGS

There were no findings and questioned costs related to state awards for June 30, 2017.

BURBANK UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-001 Independent Study – Course-Based

40000

Criteria: Education Code Section 51749.5 and 51749.6 allows a school district to provide independent study courses pursuant to the following conditions (only selected requirements are listed):

- Courses offered are annually certified by the governing board to be of the same rigor and educational quality as equivalent classroom-based courses, and shall be aligned to all relevant local and state content standards. This certification shall, at a minimum, include the duration, number of equivalent daily instructional minutes for each school day that a pupil is enrolled, number of equivalent total instructional minutes, and number of course credits for each course. This information shall be consistent with that of equivalent classroom-based courses.
- For each student, the combined equivalent daily instructional minutes for enrolled courses shall meet the minimum instructional day requirements. Additionally, each student shall be offered the minimum annual total equivalent instructional minutes.
- Attendance can only be reported if the enrolled daily instructional minutes meets applicable minimum school day requirements.
- A signed learning agreement is completed and on file and signed by the student and, if applicable, the parent or legal guardian. Agreements must include the following:
 - A summary of the policies and procedures adopted by the governing board.
 - The duration of the enrolled course or courses, the duration of the learning agreement, and the number of course credits for each enrolled course consistent with the certifications adopted by the governing board.
 - The learning objectives and expectations for each course, including, but not limited to, a description of how satisfactory educational progress is measured and when a pupil evaluation is required to determine whether the pupil should remain in the course or be referred to an alternative program, which may include, but is not limited to, a regular school program.
 - The specific resources, including materials and personnel, that will be made available to the student.
 - A statement that the pupil is not required to enroll in courses authorized pursuant to Section 51749.5.

Condition: The audit of the independent study program resulted in the following conditions:

- The annual required certification of courses offered was not completed until November 2016. The certification was retroactive to 2015-16 school year and did contain the required information.
- The District reported attendance for students that were not enrolled in the 240 daily minimum required minutes. Individual courses were certified as having between 126 and 201 daily instructional minutes. Thus, if a student was enrolled in only one course, they were not meeting the minimum daily required minutes.
- The learning agreement did not contain all the required elements.

BURBANK UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2017

2016-001 Independent Study – Course-Based

40000

Context: 7 of 31 total students were tested. However, the findings noted above are applicable to all 31 students enrolled.

Effect: District is out of compliance with Education Code Sections 51749.5 and 51749.6 and ADA is overstated.

Cause: District was not aware of the education code requirements.

Questioned Costs and Units: 22.67 ADA, which is the total ADA reported for course-based independent study at P-2. At the derived ADA value of \$7,929.95 the total amount in question is approximately \$180,000.

Recommendation: The District should revise the master agreement and review and draft updated policies and procedures that conform to the requirements of Education Code Section 51749.5. These include procedures to monitor annual and daily instructional minutes to ensure only days that meet the minimum daily instructional minutes requirement are reported for attendance.

Corrective Action Plan:

- The District revised the master agreement and revised its procedures with regards to monitoring annual and daily instructional minutes to ensure that the minimum daily instructional minutes are met and reported.
- ILA students and their parent(s)/guardian(s) have been informed by the supervising teachers about attendance, the length of the courses and the timelines for course completion.
- The ILA teachers will review attendance each week along with students' progress towards completing the course.
- The District is going back to the beginning of the Semester to revise current year ADA reports based on students taking more than one class.
- The Board of Education on January 19, 2017, will certify that the courses are of the same rigor and educational quality as equivalent classroom-based courses, and meet the minimum daily instructional minutes.
- The Board of Education on January 19, 2017, will approve the learning agreement which reflects the mandates of Education Code 51749.5
- The District plans to appeal to the California Department of Education for minimum financial impact due to the limited instruction available when first developing this program.

Current Year Status: Substantially Implemented

BURBANK UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
BOND BUILDING FUND
MEASURE S
FINANCIAL AND PERFORMANCE AUDITS
June 30, 2017

BURBANK UNIFIED SCHOOL DISTRICT

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**FINANCIAL AUDIT OF MEASURE S
BOND BUILDING FUND**

INDEPENDENT AUDITORS' REPORT

The Board of Education
The Measure S Citizens' Oversight Committee
Burbank Unified School District
Burbank, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure S Bond Building Fund of the Burbank Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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.

INDEPENDENT AUDITORS' REPORT

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure S Bond Building Fund of the District as of June 30, 2017, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present fairly only the Measure S Bond Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017 or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the fund financial statements. Such missing information, although not a part of the fund 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. Our opinion on the fund financial statements is not affected by this missing information.

INDEPENDENT AUDITORS' REPORT

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the District's internal control over the Measure S Bond Building Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over the Measure S Bond Building Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure S Bond Building Fund financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**BALANCE SHEET
June 30, 2017**

Assets

Cash in county treasury	\$ 46,820,223
Accounts receivable	217,716
Total Assets	<u><u>\$ 47,037,939</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 10,956,145
Total Liabilities	<u>10,956,145</u>

Fund Balance

Restricted	<u>36,081,794</u>
Total Fund Balance	<u>36,081,794</u>
Total Liabilities and Fund Balance	<u><u>\$ 47,037,939</u></u>

See the accompanying notes to the financial statements

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues	
Interest and investment income	\$ 424,157
Other local revenue	495,279
Total Revenues	<u>919,436</u>
 Expenditures	
Salaries	227,855
Benefits	71,848
Supplies	3,578,236
Other services	310,169
Capital outlay	29,405,181
Total Expenditures	<u>33,593,289</u>
 Deficiency of revenues over expenditures	 (32,673,853)
 Other Financing Sources	
Proceeds from sale of bonds	34,001,109
Total Other Financing Sources	
 Net change in fund balance	 1,327,256
 Fund Balance at Beginning of Year	 <u>34,754,538</u>
 Fund Balance at End of Year	 <u>\$ 36,081,794</u>

See the accompanying notes to the financial statements

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Cash in the county treasury is recorded at cost, which approximates fair value.

Financial Reporting Entity

The financial statements include only the Measure S Bond Building Fund of the District used to account for Measure S projects. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2012 and is not a complete representation of the Building Fund reported in the Districts' financial statements. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Measure S Bond Building Fund is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Fund Structure

The Statement of Revenues, Expenditures and Changes in Fund Balance is a statement of financial activities of the Measure S Bond Building Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure S Bond Building Fund is therefore classified as restricted.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure S Bond Building Fund are determined by its measurement focus. The Measure S Bond Building Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure S Bond Building Fund are accounted for in the basic financial statements of the District.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.40% of amortized cost. The District’s deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

NOTE 3: BONDED DEBT

On March 5, 2013, the voters approved the issuance of bonds, not to exceed \$110,000,000 for the purpose of improving student safety and security including upgraded fire protection, increase energy efficiency and improved accessibility for students with disabilities.

Between May 2013 and July 2015, the District issued bonds, series 2013 and 2015A, totaling \$75,996,487.

Convertible capital appreciation bonds were issued as part of Series 2013 and 2015A with maturity dates from August 1, 2033 through February 1, 2038 and August 1, 2031 through August 1, 2034, respectively. These bonds convert to current interest bonds on August 1, 2023 (the conversion date). Prior to the conversion date, each bond will accrue accreted interest on the principal component, with all interest accreting through the conversion date and payable only upon maturity or prior payment of the principal component. The accreted interest is accounted for in the basic financial statements of the District.

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 3: BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2017</u>
Series 2013	5/16/2013	2/1/2038	2.5-5.0	\$ 40,997,990	\$ 40,107,990
Series 2015A	8/1/2015	8/1/2034	3.0-5.0	34,998,497	34,998,497
Series 2017	3/15/2017	8/1/2032	3.0-5.0	34,001,109	34,001,109
Total				<u>\$ 109,997,596</u>	<u>\$ 109,107,596</u>

The annual debt service requirements to maturity as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Current Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2018	\$	\$ 2,130,167	\$	\$ 2,130,167
2019	875,000	2,670,925		3,545,925
2020	200,000	2,644,675		2,844,675
2021		2,638,675		2,638,675
2022	145,000	2,638,675		2,783,675
2023-2027	10,965,000	16,530,175	5,826,675	33,321,850
2028-2032	55,217,510	13,046,950	13,152,364	81,416,824
2033-2037	35,824,131	5,534,250	16,467,319	57,825,700
2038	5,880,955	479,588	5,502,942	11,863,485
Total	<u>\$ 109,107,596</u>	<u>\$ 48,314,080</u>	<u>\$ 40,949,300</u>	<u>\$ 198,370,976</u>

NOTE 4: PURCHASE COMMITMENTS

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for Measure S bond projects totaling approximately \$2.3 million.

**INDEPENDENT AUDITORS' 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**

The Board of Education
The Measure S Citizens' Oversight Committee
Burbank Unified School District
Burbank, 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 Measure S Bond Building Fund of the Burbank Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated December 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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

**INDEPENDENT AUDITORS' 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***

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

**BURBANK UNIFIED SCHOOL DISTRICT
MEASURE S BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017**

There were no findings related to the financial audit of the Measure S Bond Building Fund for the year ended June 30, 2017. In addition, there were no findings related to the financial audit of the Measure S Bond Building Fund for the year ended June 30, 2016.

PERFORMANCE AUDIT OF MEASURE S

INDEPENDENT AUDITORS' REPORT

The Board of Education
The Measure S Citizens' Oversight Committee
Burbank Unified School District
Burbank, California

We have conducted a performance audit of the Burbank Unified School District (the District) Measure S bond funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 16 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure S bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure S bond funds for the fiscal year ended June 30, 2017, only for the specific projects developed by the District's Board of Education, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



CliftonLarsonAllen LLP
Glendora, California
December 7, 2017

**BURBANK UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE S**

June 30, 2017

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

On March 5, 2013, a general obligation bond proposition (Measure S) of the District was approved by the voters of that District. Measure S authorized the District to issue up to \$110,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure S bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure S Bond Building Fund have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure S Bond Building Fund.
- Determine whether expenditures charged to the Measure S Bond Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure S in March 2013.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2016 to June 30, 2017. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

**BURBANK UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE S**

June 30, 2017

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures considering all object codes and projects for the year ended June 30, 2017. Our sample included 86 transactions totaling \$17,818,894. This represents 53% of total expenditures of \$33,593,289.
- We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project list.
- We selected a judgmental sample of salaries and benefits for the year ended June 30, 2017. Our sample of expenditures for salaries and benefits included \$215,803 in payroll expenses.
 - We obtained the Allocation of Personnel Costs and reconciled salaries and benefits to the expenditures recorded to the general ledger. For individuals allocated at less than 100% we obtained monthly time studies to verify the percentage charged to bond funds was supported. We obtained the Personnel Transaction Request forms to determine that the individuals were approved and assigned to perform work associated with the authorized bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure S Bond Building Fund and that such expenditures were made on authorized bond projects.