

**DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Dehesa School District
 Audit Report
 For The Year Ended June 30, 2015

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Dehesa School District
El Cajon, 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 Dehesa School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, Dehesa School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Dehesa School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information 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 combining financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016 on our consideration of Dehesa School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dehesa School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 26, 2016

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB No. 34 established financial reporting standards for state and local government, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's Net Position was \$7,200. This is a decrease of \$1,930,426 from prior year.
- The total revenues were \$3,945,323. The cost of basic programs was \$4,038,888.
- The District's program costs exceeded revenues by \$93,565.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and other Supplementary Information. The Basic Financial Statements present different views of the District as follows:

- The first two statements are district-wide combined 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, reporting the District's operations in more detail than the district-wide statements.

The referenced financial statements also include *Notes* that explain some of the information in the statements and provide more detailed data. The financial statements are followed by a section of *Required Supplementary Information* that further explains and supports the financial statements with comparisons of the District's budget and actual results for the year.

Below summarizes the major features of the District's financial statements, including a portion of the district's activities they cover and the types of information they contain.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Major Features of the District-wide Financial Statements and Fund Financial Statements

Fund Statements		
	District-Wide	Governmental Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or service have been received and payment is due during the year or soon thereafter

The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of the financial statements.

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

The two District-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 and liabilities. 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.

- 1) Net position (*the difference between the District's assets and liabilities, see Table 1*) is one way to measure the district's financial health or position
 - Over time increases and decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.
 - To assess the overall health of the District you need to consider additional non-financial factors such as change in the district's property tax base and the condition of school buildings and other facilities.

- 2) The District's activities are represented in the district-wide financial statements.
 - *District's Activities* - All of the district's basic services are included, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the District's specific funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and related spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying any long-term debt) or to show that it is properly using certain revenues (like Federal grants).

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position as of June 30, 2015, was \$7,200 (See Table A-1 below.)

Table A-1			
Condensed Statement of Net Position			
	30-Jun-14	30-Jun-15	\$ Change
Current & Other Assets	\$6,202,368	\$5,661,303	(\$541,065)
Capital Assets, Net of Depreciation	\$1,152,697	\$2,307,962	\$1,155,265
Total Assets	\$7,355,065	\$7,969,265	\$614,200
Current Liabilities	\$325,119	\$908,384	\$583,265
General Long-Term Debt	\$5,092,320	\$6,752,340	\$1,660,020
Total Liabilities	\$5,417,439	\$7,660,724	\$2,243,285
Net Position			
Invested in Capital Assets			
Capital Projects	\$548,542	\$3,464,469	\$2,915,927
Debt Service	\$159,819	\$108,741	(\$51,078)
Educational Programs		\$156,319	\$156,319
Unrestricted	\$784,499	(\$3,855,719)	(\$4,640,218)
Restricted	\$444,766	\$133,390	(\$311,376)
Total Net Position	\$1,937,626	\$7,200	(\$1,930,426)

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position. The District's total revenue was \$3,945,323. (See Table A-2). The total cost of all programs and services was \$4,038,888. The total expenses surpassed revenue by \$93,565.

Table A-2			
Condensed Statement of Activities			
	30-Jun-14	30-Jun-15	Difference
Revenues			
Program Revenues			
Charges for Services	\$68,731	\$19,451	(\$49,280)
Operating Grants and Contributions	\$1,300,644	\$1,463,195	\$162,551
Capital Grants and Contributions	\$0	\$0	\$0
General Revenues			
Taxes & Subventions	\$1,006,562	\$914,736	(\$91,826)
Federal & State Revenue	\$738,359	\$721,868	(\$16,491)
Local Revenue	\$332,584	\$826,073	\$493,489
Total Revenues	\$3,446,880	\$3,945,323	\$498,443
Expenses			
Instruction	\$2,302,904	\$2,464,135	\$161,231
Instruction-Related Services	\$282,686	\$373,467	\$90,781
Pupil Services	\$348,776	\$291,729	(\$57,047)
General Administration	\$259,588	\$273,332	\$13,744
Plant Services	\$301,271	\$353,682	\$52,411
Depreciation (Unallocated)	\$80,026	\$69,188	(\$10,838)
Other Outgo	\$90,208		(\$90,208)
Interest on Long-Term Debt	\$268,196	\$213,355	(\$54,841)
Total Expenses	\$3,933,655	\$4,038,888	\$105,233
Change in Net Position	(\$486,775)	(\$93,565)	\$393,210

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The District closed fiscal year 2014-2015 with a total combined, government fund balance of \$4,838,789. A breakdown of the ending fund balances in governmental funds is summarized on Table A-3 below.

Table A-3	
Governmental Funds	
General Fund	\$457,535
Charter Special Revenue Fund	\$127,753
Child Development Fund	\$0
Cafeteria Fund	\$16,591
Deferred Maintenance Fund	\$107,384
Special Reserve Fund for Other than Capital Outlay	\$484,257
Special Reserve Fund for Postemployment Benefits	\$67,589
Building Fund	\$2,979,687
Capital Facilities Fund	\$477,353
Special Reserve for Capital Outlay	\$7,430
Bond Interest & Redemption Fund	\$108,741
Total	\$4,834,320

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

General Fund Budgetary Highlights

Over the course of the year, the district revised the annual operating budget several times. The following table is an analysis of the budget verses actual expenditures within the general fund.

Table A-4			
Budget vs. Actual Expenditures			
	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
LCFF Sources			
State Apportionments	\$ 1,118,047	\$ 1,147,059	\$ 1,084,277
EPA	\$ 167,461	\$ 208,192	\$ 249,655
Local Sources	\$ 89,611	\$ 103,122	\$ 108,068
Federal Revenue	\$ 377,018	\$ 364,778	\$ 365,190
Other State Revenue	\$ 142,259	\$ 99,916	\$ 150,796
Other Local Revenue	\$ 1,090,829	\$ 1,276,662	\$ 1,390,534
Total Revenues	\$ 2,985,225	\$ 3,199,729	\$ 3,348,520
Expenditures:			
Current:			
Certificated Salaries	\$ 965,027	\$ 867,545	\$ 913,953
Classified Salaries	\$ 461,465	\$ 488,918	\$ 489,339
Employee Benefits	\$ 407,938	\$ 407,895	\$ 436,642
Books and Supplies	\$ 99,152	\$ 155,000	\$ 129,762
Services and Other Operating Expenditures	\$ 1,178,054	\$ 1,304,583	\$ 1,383,260
Capital Outlay	\$ 31,000	\$ 11,334	\$ 7,062
Total Expenditures	\$ 3,142,636	\$ 3,235,275	\$ 3,360,018
Excess (Deficiency of Revenues			
Over (Under) Expenditures	\$ (157,411)	\$ (35,546)	\$ (11,498)
Other Financing Sources (Uses):			
Transfers In	\$ 7,950	\$ 23,434	\$ 9,475
Transfers Out	\$ -	\$ 126,880	\$ 82,204
Total Other Financing Sources (Uses)	\$ 7,950	\$ (103,446)	\$ (72,729)
Net Change in Fund Balance	\$ (149,461)	\$ (138,992)	\$ (84,227)
Fund Balance, July 1	\$ 446,233	\$ 541,763	\$ 541,763
Fund Balance, June 30	\$ 296,772	\$ 402,771	\$ 457,536

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) are at \$2,307,962. These assets include Land, Land Improvement, Building Construction and Equipment. The total depreciation expense for the year was \$119,885.

Table A-5			
Capital Assets			
	30-Jun-14	30-Jun-15	Change
Work in Progress	\$375,322	\$1,643,410	\$1,268,088
Land	\$3,000	\$3,000	\$0
Buildings	\$2,059,265	\$2,059,265	\$0
Land Improvements	\$9,900	\$9,900	\$0
Equipment	\$721,547	\$728,609	\$7,062
Less: Accumulated Depreciation	(\$2,016,337)	(\$2,136,222)	(\$119,885)
Total Capital Assets, Net of Depreciation	\$1,152,697	\$2,307,962	\$1,155,265

Long-Term Debt

Table A-6			
Long Term Debt			
	30-Jun-14	30-Jun-15	\$ Change
Compensated Absences	\$30,227	\$21,313	(\$8,914)
GO Bonds	\$4,590,844	\$4,590,844	\$0
Other Long-Term Debt	\$381,245	\$391,142	\$9,897
Net Pension Liability	\$2,031,188	\$1,611,485	(\$419,703)
Net OPEB Obligation	\$90,004	\$137,556	\$47,552
Total Long Term Debt	\$7,123,508	\$6,752,340	(\$371,168)

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the only known circumstances that could significantly affect the District's financial health would be an unexpected material decrease in average daily attendance or a sudden unplanned economic downturn in the State economy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lori Wigg, Business Manager, Dehesa School District, 4612 Dehesa Road, El Cajon, CA 92019.

Dehesa School District

Basic Financial Statements

DEHESA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:	
Cash	\$ 5,145,581
Accounts Receivable	515,722
Capital Assets:	
Land	3,000
Land Improvements	9,900
Buildings	2,059,265
Equipment	728,609
Work in Progress	1,643,410
Less Accumulated Depreciation	(2,136,222)
Total Assets	<u>7,969,265</u>
DEFERRED OUTFLOWS OF RESOURCES	138,591
LIABILITIES:	
Accounts Payable	907,318
Unearned Revenue	1,066
Long-Term Liabilities:	
Due Within One Year	33,749
Due in More Than One Year	6,718,591
Total Liabilities	<u>7,660,724</u>
DEFERRED INFLOWS OF RESOURCES	439,932
NET POSITION:	
Restricted for:	
Capital Projects	3,464,469
Debt Service	108,741
Educational Programs	156,319
Other Purposes (Expendable)	191,563
Other Purposes (Nonexpendable)	133,390
Unrestricted	(4,047,282)
Total Net Position	<u>\$ 7,200</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,464,135	\$ -	\$ 1,334,948	\$ -	\$ (1,129,187)
Instruction-Related Services:					
Instructional Supervision and Administration	29,184	-	25,005	-	(4,179)
Instructional Library, Media and Technology	61,518	-	-	-	(61,518)
School Site Administration	282,765	-	6,101	-	(276,664)
Pupil Services:					
Home-to-School Trans- portation	115,200	-	51	-	(115,149)
Food Services	79,145	18,396	50,924	-	(9,825)
All Other Pupil Services	97,384	-	28,128	-	(69,256)
General Administration:					
Centralized Data Processing	3,871	-	-	-	(3,871)
All Other General Administration	269,461	665	16,958	-	(251,838)
Plant Services	353,682	390	1,080	-	(352,212)
Depreciation (unallocated)	69,188	-	-	-	(69,188)
Interest on Long-Term Debt	213,355	-	-	-	(213,355)
Total Expenses	\$ 4,038,888	\$ 19,451	\$ 1,463,195	\$ -	\$ (2,556,242)
General Revenues:					
Taxes and Subventions:					
					799,494
					115,242
					721,868
					20,118
					395,342
					410,613
					<u>\$ 2,462,677</u>
					Change in Net Position
					(93,565)
					Net Position Beginning as Adjusted (Note P)
					100,765
					Net Position Ending
					<u>\$ 7,200</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,121,012	\$ 3,155,567	\$ 862,885	\$ 5,139,464
Cash on Hand and in Banks	-	-	479	479
Cash in Revolving Fund	5,637	-	-	5,637
Accounts Receivable	498,024	3,526	14,172	515,722
Due from Other Funds	45,465	-	484	45,949
Total Assets	<u>1,670,138</u>	<u>3,159,093</u>	<u>878,020</u>	<u>5,707,251</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 632,732	\$ 179,406	\$ 13,778	\$ 825,916
Due to Other Funds	26,959	-	18,990	45,949
Unearned Revenue	1,066	-	-	1,066
Total Liabilities	<u>660,757</u>	<u>179,406</u>	<u>32,768</u>	<u>872,931</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	5,638	-	-	5,638
Restricted Fund Balances	159,319	2,979,687	603,866	3,742,872
Committed Fund Balances	-	-	107,384	107,384
Assigned Fund Balances	67,589	-	134,002	201,591
Unassigned:				
Reserve for Economic Uncertainty	739,611	-	-	739,611
Other Unassigned	37,224	-	-	37,224
Unassigned, reported in nonmajor:				
Total Fund Balance	<u>1,009,381</u>	<u>2,979,687</u>	<u>845,252</u>	<u>4,834,320</u>
Total Liabilities and Fund Balances	<u>\$ 1,670,138</u>	<u>\$ 3,159,093</u>	<u>\$ 878,020</u>	<u>\$ 5,707,251</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances, governmental funds \$ 4,834,320

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

Capital Assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	4,444,184	
Accumulated depreciation:	(2,136,222)	
Net:		2,307,962

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (81,401)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	138,591
Deferred inflows of resources relating to pensions	(439,932)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	4,590,844	
Accreted interest	38,380	
Bond premium	352,762	
Net Pension Liability	1,611,485	
Net OPEB obligation	137,556	
Compensated absences payable	21,313	
	<u> </u>	<u>(6,752,340)</u>

Total net position, governmental activities \$ 7,200

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,084,277	\$ -	\$ -	\$ 1,084,277
Education Protection Account Funds	249,655	-	-	249,655
Local Sources	108,069	-	-	108,069
Federal Revenue	365,190	-	49,532	414,722
Other State Revenue	150,795	-	5,587	156,382
Other Local Revenue	1,392,047	13,549	526,620	1,932,216
Total Revenues	3,350,033	13,549	581,739	3,945,321
Expenditures:				
Instruction	2,356,536	-	-	2,356,536
Instruction - Related Services	348,138	-	-	348,138
Pupil Services	143,691	-	136,934	280,625
General Administration	272,133	-	2,775	274,908
Plant Services	239,521	1,271,288	95,178	1,605,987
Debt Service:				
Interest	-	-	166,817	166,817
Total Expenditures	3,360,019	1,271,288	401,704	5,033,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,986)	(1,257,739)	180,035	(1,087,690)
Other Financing Sources (Uses):				
Transfers In	76,994	-	14,685	91,679
Transfers Out	(91,679)	-	-	(91,679)
Total Other Financing Sources (Uses)	(14,685)	-	14,685	-
Net Change in Fund Balance	(24,671)	(1,257,739)	194,720	(1,087,690)
Fund Balance, July 1	1,034,052	4,237,426	650,532	5,922,010
Fund Balance, June 30	<u>\$ 1,009,381</u>	<u>\$ 2,979,687</u>	<u>\$ 845,252</u>	<u>\$ 4,834,320</u>

The accompanying notes are an integral part of this statement.

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

Total change in fund balances, governmental funds \$ (1,087,690)

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	1,275,150	
Expenditures for capital outlay		
Depreciation expense	(119,885)	
Net:		1,155,265

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (75,967)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (36,638)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (9,897)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (47,552)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 8,914

Change in net assets of governmental activities - statement of activities \$ (93,565)

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Fund</u>
	<u>Student Body Fund</u>
ASSETS:	
Cash on Hand and in Banks	\$ 4,419
Total Assets	<u>4,419</u>
LIABILITIES:	
Due to Student Groups	\$ 4,419
Total Liabilities	<u>4,419</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

Dehesa School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) 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 organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	10-20
Vehicles	5-7
Office Equipment	3-15
Computer Equipment	5-15

d. **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. **Unearned Revenue**

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

f. **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve of 5% of general fund expenditures including other financing uses within the general fund. This reserve may be increased from time to time in order to address specific anticipated shortfalls. If necessary, The Special Reserve Fund for Other Than Capital Outlay may also be used to meet the minimum state required reserve level. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Post Employment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends Paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 46,409
Classified salaries	422
Employee benefits	28,746
Services and other operating expenditures	81,452

The District incurred unanticipated expenses in salaries, benefits, and operating expenses.

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$5,139,464 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$5,139,464. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$4,898 as of June 30, 2015) and in the revolving fund (\$5,637) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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 ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAA/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2015, the District's bank balances of \$10,535 (including revolving cash) was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This 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 manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government:				
Federal programs	\$ 310,015	\$ -	\$ 12,426	\$ 322,441
State Government:				
Lottery	17,208	-	-	17,208
Other state programs	29,691	-	1,024	30,715
Local Sources:				
Interest	959	3,526	722	5,207
Other local sources	140,151	-	-	140,151
Totals	<u>\$ 498,024</u>	<u>\$ 3,526</u>	<u>\$ 14,172</u>	<u>\$ 515,722</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Work in progress	375,322	1,268,088	-	1,643,410
Total capital assets not being depreciated	<u>378,322</u>	<u>1,268,088</u>	<u>-</u>	<u>1,646,410</u>
Capital assets being depreciated:				
Buildings	2,059,265	-	-	2,059,265
Improvements	9,900	-	-	9,900
Equipment	721,547	7,062	-	728,609
Total capital assets being depreciated	<u>2,790,712</u>	<u>7,062</u>	<u>-</u>	<u>2,797,774</u>
Less accumulated depreciation for:				
Buildings	(1,437,197)	(75,848)	-	(1,513,045)
Improvements	(9,900)	-	-	(9,900)
Equipment	(569,240)	(44,037)	-	(613,277)
Total accumulated depreciation	<u>(2,016,337)</u>	<u>(119,885)</u>	<u>-</u>	<u>(2,136,222)</u>
Total capital assets being depreciated, net	<u>774,375</u>	<u>(112,823)</u>	<u>-</u>	<u>661,552</u>
Governmental activities capital assets, net	<u>\$ 1,152,697</u>	<u>\$ 1,155,265</u>	<u>\$ -</u>	<u>\$ 2,307,962</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation was charged to functions as follows:

Instruction	\$ 19,496
Instruction-Related Services	20,008
Pupil Services	2,224
General Administration	2,876
Plant Services	6,093
Other Outgo	69,188
	<u>\$ 119,885</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Special Reserve Fund	General Fund	\$ 17,000	Cash contribution
General Fund	Cafeteria Fund	9,910	Contribution and indirect costs
General Fund	Child Development Fund	9,080	Cash contribution
Child Development Fund	General Fund	370	Cash adjustment
General Fund	Special Reserve Fund	9,476	Board approved stipends
Cafeteria Fund	General Fund	113	Cash adjustment
	Total	<u>\$ 45,949</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Child Development Fund	\$ 6,820	Cash contribution
General Fund	Special Reserve Fund	67,519	OPEB contribution
Special Reserve Fund	General Fund	9,475	Board approved stipends
General Fund	Cafeteria Fund	7,865	Cash contribution
	Total	<u>\$ 91,679</u>	

H. Accounts Payable

Accounts payable at June 30, 2015 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 467,436	\$ 179,406	\$ 8,921	\$ 655,763
Pension related liabilities	11,895	-	584	12,479
Charter school payables	117,121	-	-	117,121
Payroll benefits	36,280	-	4,273	40,553
Totals	<u>\$ 632,732</u>	<u>\$ 179,406</u>	<u>\$ 13,778</u>	<u>\$ 825,916</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2015 is as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Amortization Term</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Balance June 30, 2015</u>
Pension related	06/30/2015	1 Year	\$ -	\$ 138,591	\$ -	\$ 138,591
Total Deferred Outflows of Resources			<u>\$ -</u>	<u>\$ 138,591</u>	<u>\$ -</u>	<u>\$ 138,591</u>

Future amortization of deferred outflows of resources is as follows:

<u>Year Ending June 30</u>	<u>Pension Related</u>
2016	\$ 138,591
Total	<u>\$ 138,591</u>

K. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2015 is as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Amortization Term</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Balance June 30, 2015</u>
Pension related	06/30/2015	1 Year	\$ -	\$ 439,932	\$ -	\$ 439,932
Total Deferred Inflows of Resources			<u>\$ -</u>	<u>\$ 439,932</u>	<u>\$ -</u>	<u>\$ 439,932</u>

Future amortization of deferred inflows of resources is as follows:

<u>Year Ending June 30</u>	<u>Pension Related</u>
2016	\$ 439,932
Total	<u>\$ 439,932</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,590,844	\$ -	\$ -	\$ 4,590,844	\$ -
Accreted interest	16,047	22,333	-	38,380	-
Bond premium	365,198	-	12,436	352,762	12,436
Net pension liability	2,031,188	-	419,703	1,611,485	-
Compensated absences *	30,227	-	8,914	21,313	21,313
Net OPEB obligation	90,004	67,519	19,967	137,556	-
Total governmental activities	\$ 7,123,508	\$ 89,852	\$ 461,020	\$ 6,752,340	\$ 33,749

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium, net OPEB obligation, and net pension liability at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2016	\$ 21,313	\$ -	\$ 195,363	\$ 216,676
2017	-	-	195,363	195,363
2018	4,775	225	195,362	200,362
2019	24,263	737	195,063	220,063
2020	23,942	1,058	194,463	219,463
2021-2025	262,326	27,674	956,924	1,246,924
2026-2030	484,024	105,976	910,425	1,500,425
2031-2035	543,388	421,764	843,437	1,808,589
2036-2040	1,238,126	216,874	711,018	2,166,018
2041-2045	2,010,000	-	290,586	2,300,586
Totals	\$ 4,612,157	\$ 774,308	\$ 4,688,004	\$ 10,074,469

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

3. General Obligation Bonds

General obligation bonds at June 30, 2015 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2010 Election Series A	08/01/2013	3.00-4.00%	08/01/2043	\$ 2,499,852
2012 Election Series A	06/01/2014	1.46-5.11%	08/01/2044	2,170,992
				<u>\$ 4,670,844</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010 Election Series A	\$ 2,419,852	\$ -	\$ -	\$ 2,419,852
2010 Accreted Interest	11,272	8,255	-	19,527
2012 Election Series A	2,170,992	-	-	2,170,992
2012 Accreted Interest	4,775	14,078	-	18,853
Total GO Bonds	<u>\$ 4,606,691</u>	<u>\$ 22,333</u>	<u>\$ -</u>	<u>\$ 4,629,224</u>

The annual requirements to amortize the bonds outstanding at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ -	\$ 195,363	\$ 195,363
2017	-	-	195,363	195,363
2018	4,775	225	195,362	200,362
2019	24,263	737	195,063	220,063
2020	23,942	1,058	194,463	219,463
2021-2025	262,326	27,674	956,924	1,246,924
2026-2030	484,024	105,976	910,425	1,500,425
2031-2035	543,388	421,764	843,437	1,808,589
2036-2040	1,238,126	216,874	711,018	2,166,018
2041-2045	2,010,000	-	290,586	2,300,586
Totals	<u>\$ 4,590,844</u>	<u>\$ 774,308</u>	<u>\$ 4,688,004</u>	<u>\$ 10,053,156</u>

4. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium resulting in effective interest as follows:

	<u>2010 Series A Bonds</u>	<u>2012 Series A Bonds</u>
Total Interest	\$ 3,075,100	\$ 2,659,700
Less Bond Premium	(223,578)	(156,719)
Net Interest	<u>\$ 2,851,522</u>	<u>\$ 2,502,981</u>
Par Amount of Bonds	\$ 2,499,582	\$ 2,170,992
Periods	30	30
Effective Interest Rate	3.80%	3.84%

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

M. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSR). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2015 is as follows:

Total Assets	\$	(44,646)
Total Liabilities		3,921
Total Fund Balance		(48,567)
Total Cash Receipts		11,827
Total Cash Disbursements		17,061
Net Change in Fund Balance		(5,234)

The District has a repayment plan in place to repay the deficit balance at June 30, 2015.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Plans' provisions and benefits in effect at June 30, 2014 (measurement date) are summarized as follows:

	CalSTRS		CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974.%	6.974.%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

f. Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 45,272	\$ 46,920
Contributions - Employee	45,443	29,025
Contributions - State On Behalf Payments	27,669	-
Total Pension Expense	<u>\$ 118,384</u>	<u>\$ 75,945</u>

Pension expense for each plan were as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (260,002)	\$ (159,701)
Net Difference between projected and actual earnings on plan investments	287,800	152,132
Total Employer and State Contributions	118,384	75,945
Total Pension Expense	<u>\$ 146,182</u>	<u>\$ 68,376</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 1,168,740
CalPERS	442,745
Total Net Pension Liability	<u>\$ 1,611,485</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013	0.0020%	0.0039%
Proportion - June 30, 2014	0.0020%	0.0039%
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$214,558. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 138,591	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(439,932)
Total	\$ 138,591	\$ (439,932)

\$138,591 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (109,983)
2017	(109,983)
2018	(109,983)
2019	(109,983)
Total	<u>\$ (439,932)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	CalSTRS	CalPERS
	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalSTRS and 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 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 quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return (Years 1-10)(1)</u>	<u>Real Return (Years 11+)(2)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 2,050,237	\$ 776,676
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 1,168,740	\$ 442,745
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 432,161	\$ 83,955

d. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 4,755,720	\$ 3,326,978	\$ 1,428,742
Changes for the year:			
Service cost	106,760	-	106,760
Interest	356,440	-	356,440
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	45,272	(45,272)
Contributions - Employee	-	45,443	(45,443)
Contributions - State On Behalf	-	27,669	(27,669)
Net investment income	-	608,038	(608,038)
Other income	-	41	(41)
Benefit payments, including refunds of employee contributions	(240,700)	(240,700)	-
Administrative expenses	-	(3,083)	3,083
Other expenses	-	(178)	178
Net Changes	222,500	482,502	(260,002)
Balance at June 30, 2015	<u>\$ 4,978,220</u>	<u>\$ 3,809,480</u>	<u>\$ 1,168,740</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 2,536,409	\$ 1,933,963	\$ 602,446
Changes for the year:			
Service cost	61,465	-	61,465
Interest	187,946	-	187,946
Differences between expected and actual experience	-	-	
Contributions - Employer	-	46,920	(46,920)
Contributions - Employee	-	29,025	(29,025)
Net investment income	-	333,167	(333,167)
Benefit payments, including refunds of employee contributions	(122,401)	(122,401)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>127,010</u>	<u>286,711</u>	<u>(159,701)</u>
Balance at June 30, 2015	<u>\$ 2,663,419</u>	<u>\$ 2,220,674</u>	<u>\$ 442,745</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

O. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Dehesa School District (District) offers health care benefits, as established by board policy, to all employees who retire from the District and meet established requirements. Currently, the District pays 100% of the cost of the premium. Based on the July 1, 2013 actuarial study the number of active employees was 25 with 2 retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed \$19,967 for health care benefits which represented 29.6% of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 67,519
Contribution made	<u>(19,967)</u>
Increase in net OPEB obligation	47,552
Net OPEB obligation, beginning of year	90,004
Net OPEB obligation, end of year	<u>\$ 137,556</u>

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and 2015 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$67,519	36.4%	\$90,004
2015	\$67,519	29.6%	\$137,556

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

The District utilized the Alternative Measurement Method which differs from a full actuarial valuation and is permitted for employers with fewer than one hundred plan members, which includes employees in active service, terminated employees who have accumulated benefits but are not receiving them, and retirees and beneficiaries currently receiving benefits. In the July 1, 2013 actuarial review under the Alternative Measurement Method, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

The UAAL is being amortized at a level dollar method with the amortization period at June 30, 2015 of 28 years.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

P. Adjustments to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability, any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The combination of changes due to accounting policies resulted in an adjustment to the beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 1,937,626
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(2,031,190)
Change in Accounting Policy - Deferred Outflows Pension Related	<u>194,329</u>
Net Position, Beginning (As Restated)	<u>\$ 100,765</u>

Q. Components of Ending Fund Balance

As of June 30, 2015 components of ending fund balance consisted of:

	<u>Major Governmental Funds</u>		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 5,637	\$ -	\$ -	\$ 5,637
Restricted Fund Balances				
Educational Programs	159,319	-	1,181	160,500
Child Nutrition Program	-	-	16,591	16,591
Capital Projects	-	2,979,687	477,353	3,457,040
Debt Service	-	-	108,741	108,741
Committed Fund Balances				
Deferred Maintenance	-	-	107,384	107,384
Assigned Fund Balances				
Educational Programs	-	-	126,572	126,572
Capital Projects	-	-	7,430	7,430
Post Employment Benefits	67,589	-	-	67,589
Unassigned Fund Balances				
For Economic Uncertainty	739,611	-	-	739,611
Unappropriated	37,225	-	-	37,225
Total Fund Balance	<u>\$ 1,009,381</u>	<u>\$ 2,979,687</u>	<u>\$ 845,252</u>	<u>\$ 4,834,320</u>

R. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that 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.

DEHESA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

S. Construction Commitments

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

	<u>Commitment</u>	<u>Expected Date of Completion*</u>
Construction in Process:		
Dehesa Elementary Two-Story Building Addition	\$ 5,425,706	January 2016

*Expected date of completion subject to change

T. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,118,047	\$ 1,147,059	\$ 1,084,277	\$ (62,782)
Education Protection Account Funds	167,461	208,192	249,655	41,463
Local Sources	89,611	103,122	108,069	4,947
Federal Revenue	377,018	364,778	365,190	412
Other State Revenue	142,259	99,916	150,795	50,879
Other Local Revenue	1,090,829	1,276,662	1,390,534	113,872
Total Revenues	<u>2,985,225</u>	<u>3,199,729</u>	<u>3,348,520</u>	<u>148,791</u>
Expenditures:				
Current:				
Certificated Salaries	965,027	867,545	913,954	(46,409)
Classified Salaries	461,465	488,918	489,340	(422)
Employee Benefits	407,938	407,895	436,640	(28,745)
Books And Supplies	99,152	155,000	129,763	25,237
Services And Other Operating Expenditures	1,178,054	1,304,583	1,386,035	(81,452)
Direct Support/Indirect Costs	-	-	(2,775)	2,775
Capital Outlay	31,000	11,334	7,062	4,272
Total Expenditures	<u>3,142,636</u>	<u>3,235,275</u>	<u>3,360,019</u>	<u>(124,744)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(157,411)</u>	<u>(35,546)</u>	<u>(11,499)</u>	<u>24,047</u>
Other Financing Sources (Uses):				
Transfers In	7,950	23,434	9,475	(13,959)
Transfers Out	-	(126,880)	(82,204)	44,676
Total Other Financing Sources (Uses)	<u>7,950</u>	<u>(103,446)</u>	<u>(72,729)</u>	<u>30,717</u>
Net Change in Fund Balance	<u>(149,461)</u>	<u>(138,992)</u>	<u>(84,228)</u>	<u>54,764</u>
Fund Balance, July 1	<u>541,763</u>	<u>541,763</u>	<u>541,763</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 392,302</u>	<u>\$ 402,771</u>	<u>\$ 457,535</u>	<u>\$ 54,764</u>

DEHESA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/13	\$ -	\$ 448,800	\$ 448,800	-	\$ 1,384,400	32.4%
07/01/13	\$ -	\$ 448,800	\$ 448,800	-	\$ 1,474,031	30.4%

DEHESA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0020%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 1,168,740	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 549,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

DEHESA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 90,715	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(90,715)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 549,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA 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.

DEHESA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM (CALPERS)
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0039%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 442,745	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 410,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.85%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

DEHESA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 75,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(75,945)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 410,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

DEHESA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 1,009,381
Less Fund 20 Fund Balance	(67,589)
Less Fund 17 Fund Balance	<u>(484,257)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 457,535</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ (24,671)
Change if Fund Balance attributed to Fund 20	8,032
Change in Fund Balance attributed to Fund 17	<u>(67,589)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ (84,228)</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 266,814	\$ 108,741	\$ 487,330	\$ 862,885
Cash on Hand and in Banks	479	-	-	479
Accounts Receivable	13,697	-	475	14,172
Due from Other Funds	484	-	-	484
Total Assets	<u>281,474</u>	<u>108,741</u>	<u>487,805</u>	<u>878,020</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 10,756	\$ -	\$ 3,022	\$ 13,778
Due to Other Funds	18,990	-	-	18,990
Total Liabilities	<u>29,746</u>	<u>-</u>	<u>3,022</u>	<u>32,768</u>
Fund Balance:				
Restricted Fund Balances	17,772	108,741	477,353	603,866
Committed Fund Balances	107,384	-	-	107,384
Assigned Fund Balances	126,572	-	7,430	134,002
Total Fund Balance	<u>251,728</u>	<u>108,741</u>	<u>484,783</u>	<u>845,252</u>
Total Liabilities and Fund Balances	<u>\$ 281,474</u>	<u>\$ 108,741</u>	<u>\$ 487,805</u>	<u>\$ 878,020</u>

DEHESA SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 49,532	\$ -	\$ -	\$ 49,532
Other State Revenue	4,195	1,392	-	5,587
Other Local Revenue	69,179	114,347	343,094	526,620
Total Revenues	<u>122,906</u>	<u>115,739</u>	<u>343,094</u>	<u>581,739</u>
Expenditures:				
Pupil Services	136,934	-	-	136,934
General Administration	2,775	-	-	2,775
Plant Services	48,838	-	46,340	95,178
Debt Service:				
Interest	-	166,817	-	166,817
Total Expenditures	<u>188,547</u>	<u>166,817</u>	<u>46,340</u>	<u>401,704</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,641)</u>	<u>(51,078)</u>	<u>296,754</u>	<u>180,035</u>
Other Financing Sources (Uses):				
Transfers In	14,685	-	-	14,685
Total Other Financing Sources (Uses)	<u>14,685</u>	<u>-</u>	<u>-</u>	<u>14,685</u>
Net Change in Fund Balance	<u>(50,956)</u>	<u>(51,078)</u>	<u>296,754</u>	<u>194,720</u>
Fund Balance, July 1	302,684	159,819	188,029	650,532
Fund Balance, June 30	<u>\$ 251,728</u>	<u>\$ 108,741</u>	<u>\$ 484,783</u>	<u>\$ 845,252</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 19,325	\$ 107,279	\$ 266,814
300	-	479
13,462	105	13,697
114	-	484
<u>33,201</u>	<u>107,384</u>	<u>281,474</u>
\$ 6,700	\$ -	\$ 10,756
9,910	-	18,990
<u>16,610</u>	<u>-</u>	<u>29,746</u>
16,591	-	17,772
-	107,384	107,384
-	-	126,572
<u>16,591</u>	<u>107,384</u>	<u>251,728</u>
<u>\$ 33,201</u>	<u>\$ 107,384</u>	<u>\$ 281,474</u>

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 49,532	\$ -	\$ 49,532
4,195	-	4,195
<u>19,570</u>	335	<u>69,179</u>
<u>73,297</u>	<u>335</u>	<u>122,906</u>
76,758	-	136,934
2,775	-	2,775
1,628	47,210	48,838
<u>81,161</u>	<u>47,210</u>	<u>188,547</u>
<u>(7,864)</u>	<u>(46,875)</u>	<u>(65,641)</u>
7,865	-	14,685
<u>7,865</u>	<u>-</u>	<u>14,685</u>
1	(46,875)	(50,956)
16,590	154,259	302,684
<u>\$ 16,591</u>	<u>\$ 107,384</u>	<u>\$ 251,728</u>

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015

	Capital Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 479,907	\$ 7,423	\$ 487,330
Accounts Receivable	468	7	475
Total Assets	<u>480,375</u>	<u>7,430</u>	<u>487,805</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 3,022	\$ -	\$ 3,022
Total Liabilities	<u>3,022</u>	<u>-</u>	<u>3,022</u>
Fund Balance:			
Restricted Fund Balances	477,353	-	477,353
Assigned Fund Balances	-	7,430	7,430
Total Fund Balance	<u>477,353</u>	<u>7,430</u>	<u>484,783</u>
Total Liabilities and Fund Balances	<u>\$ 480,375</u>	<u>\$ 7,430</u>	<u>\$ 487,805</u>

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 343,072	\$ 22	\$ 343,094
Total Revenues	<u>343,072</u>	<u>22</u>	<u>343,094</u>
Expenditures:			
Plant Services	46,340	-	46,340
Total Expenditures	<u>46,340</u>	<u>-</u>	<u>46,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>296,732</u>	<u>22</u>	<u>296,754</u>
Net Change in Fund Balance	296,732	22	296,754
Fund Balance, July 1	180,621	7,408	188,029
Fund Balance, June 30	<u>\$ 477,353</u>	<u>\$ 7,430</u>	<u>\$ 484,783</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

DEHESA SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2015

The Dehesa School District was established in 1876 and is comprised of approximately 19 square miles, located in San Diego County. There were no changes in the boundaries of the District during the year. The District is currently operating one K-8 elementary school and sponsors six charter schools.

Governing Board

Name	Office	Term and Term Expiration
Cynthia White	President	Four Year Term Expires November 2018
Jeff Royal	Vice President	Four Year Term Expires November 2016
Christina Becker	Clerk	Four Year Term Expires November 2018
Karl Becker	Member	Four Year Term Expires November 2018
Derek Voth	Member	Four Year Term Expires November 2016

Administration

Nancy Hauer
 Superintendent

Tamara Ripke
 Principal

Lori Wigg
 Business Manager

DEHESA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2015

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	82.02	N/A	83.07	N/A
TK/K-3 Totals	82.02	N/A	83.07	N/A
Grades 4-6:				
Regular ADA	61.38	N/A	61.53	N/A
Grades 4-6 Totals	61.38	N/A	61.53	N/A
Grades 7 and 8:				
Regular ADA	27.82	N/A	27.67	N/A
Grades 7 and 8 Totals	27.82	N/A	27.67	N/A
ADA Totals	171.22	N/A	172.27	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

DEHESA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	58,937	181	-	Complied
Grade 1	50,400	49,000	55,317	181	-	Complied
Grade 2	50,400	49,000	55,317	181	-	Complied
Grade 3	50,400	49,000	55,317	181	-	Complied
Grade 4	54,000	52,500	55,317	181	-	Complied
Grade 5	54,000	52,500	55,317	181	-	Complied
Grade 6	54,000	52,500	58,937	181	-	Complied
Grade 7	54,000	52,500	58,152	181	-	Complied
Grade 8	54,000	52,500	58,152	181	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District 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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2015

TABLE D-3

<u>General Fund</u>	<u>Budget 2016 (See Note 1)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues and other financial sources	\$ 3,367,519	\$ 3,357,995	\$ 3,140,276	\$ 3,201,417
Expenditures, other uses and transfers out	3,377,648	3,442,223	3,183,760	3,055,355
Change in fund balance (deficit)	(10,129)	(84,228)	(43,484)	146,062
Ending fund balance	\$ 447,406	\$ 457,535	\$ 541,763	\$ 585,247
Available reserves (Note 2)	\$ 312,859	\$ 292,579	\$ 292,210	\$ 291,409
Available reserves as a percentage of total outgo	9.3%	8.5%	9.3%	9.7%
Total long-term debt (Note 5)	\$ 6,718,591	\$ 6,732,340	\$ 5,092,320	\$ 2,812,012
Average daily attendance at P-2	172	171	181	207

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

The general fund balance has increased by \$18,350 over the past three years. The fiscal year 2015-16 budget projects a decrease of \$10,129. For a district this size, the state recommends available reserves of at least 5% of general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$6,713,347 over the past three years.

Average daily attendance (ADA) has decreased by 44 over the past three years.

Notes:

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$51,163, \$51,179, and \$47,561, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) are included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

DEHESA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

TABLE D-4

	<u>General Fund</u>	<u>Special Reserve Fund(17)</u>	<u>Special Reserve Fund(20)</u>
June 30, 2015, annual financial and budget report fund balances	\$ 457,535	\$ 484,257	\$ 67,589
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB 54 required inclusion with general fund	<u>551,846</u>	<u>(484,257)</u>	<u>(67,589)</u>
Net adjustments and reclassifications	<u>551,846</u>	<u>(484,257)</u>	<u>(67,589)</u>
June 30, 2015, audited financial statement fund balances	<u>\$ 1,009,381</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Schedule of Long-Term Debt</u>		
June 30, 2015, annual financial and budget report total liabilities	<u>\$ 5,063,440</u>		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Accreted interest understatement	22,333		
Net pension liability understatement	1,611,485		
Net OPEB obligation understatement	67,518		
Bond premium overstatement	<u>(12,436)</u>		
Net adjustments and reclassifications	<u>1,688,900</u>		
June 30, 2015, audited financial statement total liabilities	<u>\$ 6,752,340</u>		

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

DEHESA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2015

TABLE D-5

The following charter schools are chartered by Dehesa School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
Dehesa Charter School	No
Diego Hills Charter School	No
The Heights Charter School	No
Community Montessori Charter School	No
Mosaica Online Academy of Southern California	No
Methods Charter School	No

Other Independent Auditor's Reports



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproule, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Dehesa School District
El Cajon, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Dehesa School District's basic financial statements, and have issued our report thereon dated January 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dehesa School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dehesa School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dehesa School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 Dehesa School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-001 and 2015-002.

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Dehesa School District's Response to Findings

Dehesa School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dehesa School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 26, 2016

Independent Auditor's Report on State Compliance

Board of Trustees
 Dehesa School District
 El Cajon, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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 State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A

El Cajon Office

Emeryville Office

Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Dehesa School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item(s) 2015-001 and 2015-002. We did not modify our opinion with respect to this matter.

Dehesa School District's Response to Findings

Dehesa School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dehesa School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 26, 2016

Findings and Recommendations Section

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X Not Applicable

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X Not Applicable

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X Not Applicable

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Not Applicable	Not Applicable

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X Not Applicable

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? X Yes No

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

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

B. Financial Statement Findings

NONE

C. State Award Findings and Questioned Costs

Finding 2015-001(10000)
Attendance

Criteria or Specific Requirement

Determine that class attendance rosters are being signed, dated and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of the class rosters at Dehesa Elementary School for the seventh month of attendance, we noted that the class rosters were not being printed and verified on a timely basis. Printing, signing, and date verification of class rosters were in excess of two weeks and up to two months after each weekly attendance period.

Context

California Education Code Sections 46000 and 46303 require that weekly attendance be signed, dated, and verified by the teachers within one week after the end of each attendance period.

Questioned Costs

None. The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters had a valid teacher signature and were subsequently approved prior to the end of the fiscal year.

Cause

School site personnel did not understand the purpose and requirement that teachers verify attendance within one week after the end of the attendance period.

Effect

The school site was not consistent with the state requirement that attendance must be approved and verified by teachers within one week after the end of each attendance period.

Recommendation

Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Retain all original rosters printed and verified by the teachers even if changes or corrections have been made as proper support that attendance is being validated on a timely basis.

LEA's Response

The District has implemented procedures to ensure that class rosters are printed and signed on a weekly basis. All teachers have been instructed to verify, sign, and date rosters within one week of each attendance period.

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-002(72000)
School Accountability Report Card

Criteria or Specific Requirement

Determine that information provided in the School Accountability Report Card (SARC) for the facilities status agrees with the most recent facilities walkthrough as disclosed in the Facilities Inspection Tool (FIT) as required by Education Code 33126 and 33126.1.

Condition

In our review of the District's SARC for Dehesa School which was published in January 2015, we noted that the facilities information was from the facilities walkthrough conducted in September 2013 and not from the most recent walkthrough which was completed in September 2014; consequently, the SARC did not disclose the most current information in regards to the school facilities status.

Context

California Education Code Sections 33126 and 33126.1 require that facilities information disclosed in the SARC agree to the facilities information in the most recent completed FIT.

Questioned Costs

None.

Cause

District personnel did not realize that the current facilities walkthrough information as disclosed in the most recent FIT which is completed before the SARC publication date should be utilized as the facilities information of the school site.

Effect

The District was not in compliance with the requirement to report facilities information in the SARC that agrees to the most current facilities walkthrough completed before the SARC publication date.

Recommendation

Implement a review process to ensure the facilities data and status disclosed in the SARC for Dehesa School is from the most recent FIT facilities walkthrough completed prior to the SARC publication date. Monitor the FIT forms and walkthrough information in order that the most current facilities data be recorded in the SARC.

LEA's Response

The District has implemented a review process to ensure that the School Accountability Report Card (SARC) reflects the most recent FIT facilities walkthrough completed prior to the SARC publication date.

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="175 443 412 495">Finding 2014-001 Bank Reconciliations</p> <p data-bbox="175 533 769 648">Bank statement reconciliations were not being completed and documented on a monthly basis. The reconciliations were not being completed timely and available for audit.</p> <p data-bbox="175 686 769 772">Implement procedures that require all bank statement reconciliations to be completed on a monthly basis and be available for audit purposes.</p>	Implemented	
<p data-bbox="175 810 399 863">Finding 2014-002 Payroll Time Sheets</p> <p data-bbox="175 900 769 987">Four of fifteen timesheets reviewed were not properly signed and dated by the employee and supervisor as required by District policy.</p> <p data-bbox="175 1024 769 1140">Establish procedures to review all employee timesheets to ensure they are properly completed, signed, and dated by the employee and their immediate supervisor.</p>	Implemented	
<p data-bbox="175 1178 415 1230">Finding 2014-003 Instructional Materials</p> <p data-bbox="175 1268 769 1413">The District held a public hearing to determine the sufficiency of instructional materials and texts; however, the District did not comply with the requirement to post the notification within ten days of the board meeting date of the public hearing.</p> <p data-bbox="175 1451 769 1560">Establish internal controls to ensure that the notification of the public hearing for sufficiency of instructional materials and texts be posted within ten days of the actual board meeting date.</p>	Implemented	

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p data-bbox="170 378 381 409">Finding 2014-004</p> <p data-bbox="170 409 560 441">School Accountability Report Card</p> <p data-bbox="170 472 771 619">In review of the school accountability report card for Dehesa Elementary School, we noted the information provided for interior services in the school facilities section did not agree to the data provided by the Facilities Inspection Tool.</p> <p data-bbox="170 651 771 806">Implement a review process to ensure that the information on school facilities as disclosed in the school accountability report card agrees to the data and facilities walkthrough information as stated in the Facilities Inspection Tool.</p>	<p data-bbox="852 735 998 806">Being Implemented</p>	<p data-bbox="1169 735 1315 806">See Current Year Finding</p>