DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA

AUDIT REPORT

JUNE 30, 2016

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, 2016

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Financial Section

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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 2016, Dehesa School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value.* Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Dehesa School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Dehesa School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP.* 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 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 December 6, 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
December 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016. It should be read 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 $533,619.
- The total revenues were $4,711,671. The cost of basic programs was $4,386,086.
- The change in net position was $325,585

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 Section. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Fund Statements		
	District-Wide	**Governmental Funds**
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenue, Expenditures & Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability	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
Type of inflow/outflow information	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.

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).

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 Assets. The District's combined net position as of June 30, 2016, was $533,619 (See Table A-1 below.)

Table A-1			
Condensed Statement of Net Position			
	30-Jun-15	30-Jun-16	$ Change
Current & Other Assets	$5,661,303	$2,995,698	($2,665,605)
Capital Assets, Net of Depreciation	$2,307,962	$5,262,737	$2,954,775
Total Assets	$7,969,265	$8,258,435	$289,170
Deferred Outflows of Resources	$138,591	$279,660	$141,069
Current Liabilities	$908,384	$689,286	($219,098)
General Long-Term Debt	$6,752,340	$7,060,289	$307,949
Total Liabilities	$7,660,724	$7,749,575	$88,851
Deferred Inflows of Resources	$439,932	$254,901	($185,031)
Net Position			
Invested in Capital Assets		$671,893	$671,893
Capital Projects	$3,464,469	$656,383	($2,808,086)
Debt Service	$108,741	$122,389	$13,648
Educational Programs	$156,319	$90,324	($65,995)
Other Purposes	$324,953	$1,507,390	$1,182,437
Unrestricted	($4,047,282)	($2,514,760)	$1,532,522
Total Net Position	$7,200	$533,619	$526,419

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenue was $4,711,671. (See Table A-2). The total cost of all programs and services was $4,386,086. The total revenues surpassed expenses by $325,585.

Table A-2		
Condensed Statement of Activities		
	30-Jun-15	30-Jun-16
Revenues		
Program Revenues		
Charges for Services	$19,451	$14,757
Operating Grants and Contributions	$1,463,195	$1,708,285
Capital Grants and Contributions	$0	$0
General Revenues		
Taxes & Subventions	$914,736	$1,136,736
Federal & State Revenue	$721,868	$746,692
Local Revenue	$826,073	$1,105,201
Total Revenues	$3,945,323	$4,711,671
Expenses		
Instruction	$2,464,135	$2,708,227
Instruction-Related Services	$373,467	$395,685
Pupil Services	$291,729	$353,662
General Administration	$273,332	$372,735
Plant Services	$353,682	$354,653
Depreciation (Unallocated)	$69,188	
Other Outgo		$632
Interest on Long-Term Debt	$213,355	$200,492
Total Expenses	$4,038,888	$4,386,086
Change in Net Position	($93,565)	$325,585

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 2015-2016 with a total combined, government fund balance of $2,387,813. A breakdown of the ending fund balances in governmental funds is summarized on Table A-3 below.

Table A-3	
Governmental Funds	
General Fund	408,975
Charter Special Revenue Fund	128,490
Child Development Fund	-
Cafeteria Fund	16,590
Deferred Maintenance Fund	101,803
Special Reserve Fund for Other than Capital Outlay	987,007
Special Reserve Fund for Postemployment Benefits	67,979
Building Fund	547,087
Capital Facilities Fund	20
Special Reserve for Capital Outlay	7,473
Bond Interest & Redemption Fund	122,389
Total	$2,387,813

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		
	Original	Final	Actual
Revenues:			
LCFF Sources			
State Apportionments or State Aid	$ 1,152,225	$ 1,147,760	$ 1,150,286
Education Protection Account Funds	$ 204,445	$ 233,472	$ 231,404
Local Sources	$ 105,417	$ 115,529	$ 117,656
Federal Revenue	$ 395,305	$ 470,873	$ 465,288
Other State Revenue	$ 160,544	$ 239,323	$ 389,384
Other Local Revenue	$ 1,318,382	$ 1,764,716	$ 1,846,470
Total Revenues	$ 3,336,318	$ 3,971,673	$ 4,200,488
Expenditures:			
Current:			
Certificated Salaries	$ 890,685	$ 922,750	$ 932,571
Classified Salaries	$ 501,904	$ 516,214	$ 510,217
Employee Benefits	$ 417,000	$ 503,441	$ 634,337
Books and Supplies	$ 108,778	$ 137,731	$ 94,498
Services and Other Operating Expenditures	$ 1,395,391	$ 1,447,258	$ 1,542,171
Capital Outlay	$ 800	$ -	$ -
Other Outgo			$ (3,877)
Total Expenditures	$ 3,314,558	$ 3,527,393	$ 3,709,917
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 21,760	$ 444,280	$ 490,571
Other Financing Sources (Uses):			
Transfers In	$ 31,200	$ -	$ -
Transfers Out	$ 63,090	$ 429,031	$ 539,129
Total Other Financing Sources (Uses)	$ (31,890)	$ (429,031)	$ (539,129)
Net Change in Fund Balance	$ (10,130)	$ 15,249	$ (48,558)
Fund Balance, July 1	$ 457,535	$ 457,535	$ 457,535
Fund Balance, June 30	$ 447,405	$ 472,784	$ 408,977

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) were $5,262,737. These assets include Land, Land Improvements, Building Construction, and Equipment. The total depreciation expense for the year was $129,666.

Table A-5 Capital Assets			
	30-Jun-15	30-Jun-16	Change
Work in Progress	$1,643,410	$4,727,852	$3,084,442
Land	$3,000	$3,000	$0
Buildings	$2,059,265	$2,059,265	$0
Land Improvements	$9,900	$9,900	$0
Equipment	$728,609	$728,609	$0
Less: Accumulated Depreciation	($2,136,222)	($2,265,889)	($129,667)
Total Capital Assets, Net of Depreciation	$2,307,962	$5,262,737	$2,954,775

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Table A-6			
Long Term Debt			
	30-Jun-15	30-Jun-16	$ Change
Compensated Absences	$21,313	$27,671	$6,358
GO Bonds	$4,590,844	$4,590,844	$0
Other Long-Term Debt	$391,142	$396,271	$5,129
Net Pension Liability	$1,611,485	$1,856,701	$245,216
Net OPEB Obligation	$137,556	$188,802	$51,246
Total Long Term Debt	$6,752,340	$7,060,289	$307,949

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, 2016

ASSETS:	
Cash	$ 2,544,825
Accounts Receivable	450,873
Capital Assets:	
Land	3,000
Land Improvements	9,900
Buildings	2,059,265
Equipment	728,609
Work in Progress	4,727,852
Less Accumulated Depreciation	(2,265,889)
Total Assets	8,258,435
DEFERRED OUTFLOWS OF RESOURCES	279,660
LIABILITIES:	
Accounts Payable	688,935
Unearned Revenue	351
Long-Term Liabilities:	
Due Within One Year	40,107
Due in More Than One Year	7,020,182
Total Liabilities	7,749,575
DEFERRED INFLOWS OF RESOURCES	254,901
NET POSITION:	
Net Investment in Capital Assets	671,893
Restricted for:	
Capital Projects	656,383
Debt Service	122,389
Educational Programs	90,324
Other Purposes (Expendable)	1,373,637
Other Purposes (Nonexpendable)	133,753
Unrestricted	(2,514,760)
Total Net Position	$ 533,619

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

DEHESA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 2,708,227	$ -	$ 1,447,636	$ -	$ (1,260,591)
Instruction-Related Services:					
Instructional Supervision and Administration	43,263	-	40,910	-	(2,353)
Instructional Library, Media and Technology	65,132	-	43,415	-	(21,717)
School Site Administration	287,290	-	50,078	-	(237,212)
Pupil Services:					
Home-to-School Transportation	155,977	-	-	-	(155,977)
Food Services	93,722	14,150	49,926	-	(29,646)
All Other Pupil Services	103,963	-	38,218	-	(65,745)
General Administration:					
Centralized Data Processing	481	-	-	-	(481)
All Other General Administration	372,735	607	38,102	-	(334,026)
Plant Services	354,653	-	-	-	(354,653)
Community Services	151	-	-	-	(151)
Interest on Long-Term Debt	200,492	-	-	-	(200,492)
Total Expenses	$ 4,386,086	$ 14,757	$ 1,708,285	$ -	$ (2,663,044)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	928,132
Taxes Levied for Debt Service	208,604
Federal and State Aid Not Restricted to Specific Programs	746,692
Interest and Investment Earnings	20,909
Interagency Revenues	793,626
Miscellaneous	290,666
Total General Revenues	$ 2,988,629
Change in Net Position	325,585
Net Position Beginning as Adjusted (Note O)	208,034
Net Position Ending	$ 533,619

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 1,681,251	$ 336,020
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	2,707	-
Accounts Receivable	343,264	99,744
Due from Other Funds	528,520	145,900
Total Assets	2,555,742	581,664
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 583,905	$ 20,403
Due to Other Funds	507,525	14,174
Unearned Revenue	351	-
Total Liabilities	1,091,781	34,577
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,707	-
Restricted Fund Balances	90,324	-
Committed Fund Balances	-	547,087
Assigned Fund Balances	130,635	-
Unassigned:		
Reserve for Economic Uncertainty	1,240,295	-
Total Fund Balance	1,463,961	547,087
Total Liabilities and Fund Balances	$ 2,555,742	$ 581,664

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
$ 131,243	$ 390,826	$ 2,539,340
-	2,779	2,779
-	-	2,707
503	7,362	450,873
14,174	-	688,594
145,920	400,967	3,684,293
$ -	$ 3,227	$ 607,535
145,900	20,995	688,594
-	-	351
145,900	24,222	1,296,480
-	-	2,707
-	140,160	230,484
-	101,803	648,890
20	134,782	265,437
-	-	1,240,295
20	376,745	2,387,813
$ 145,920	$ 400,967	$ 3,684,293

DEHESA SCHOOL DISTRICT

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

Total fund balances, governmental funds		$	2,387,813
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:	7,528,626		
Accumulated depreciation:	(2,265,889)		
Net:			5,262,737
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 unmatured 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			279,660
Deferred inflows of resources relating to pensions			(254,901)
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	55,945		
Bond premium	340,326		
Net Pension Liability	1,856,701		
Net OPEB obligation	188,802		
Compensated absences payable	27,671		
			(7,060,289)
Total net position, governmental activities		$	533,619

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, 2016

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 1,150,286	$ -
Education Protection Account Funds	231,404	-
Local Sources	117,654	-
Federal Revenue	465,288	-
Other State Revenue	239,494	-
Other Local Revenue	1,849,610	9,142
Total Revenues	4,053,736	9,142
Expenditures:		
Instruction	2,353,583	-
Instruction - Related Services	367,436	-
Pupil Services	179,250	-
Community Services	151	-
General Administration	342,177	-
Plant Services	317,430	2,441,741
Debt Service:		
Interest	-	-
Total Expenditures	3,560,027	2,441,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	493,709	(2,432,599)
Other Financing Sources (Uses):		
Transfers In	500,000	-
Transfers Out	(539,130)	-
Total Other Financing Sources (Uses)	(39,130)	-
Net Change in Fund Balance	454,579	(2,432,599)
Fund Balance, July 1	1,009,382	2,979,686
Fund Balance, June 30	$ 1,463,961	$ 547,087

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 1,150,286
-	-	231,404
-	-	117,654
-	48,453	513,741
-	5,831	245,325
183,532	261,086	2,303,370
183,532	315,370	4,561,780
-	-	2,353,583
-	-	367,436
-	140,219	319,469
-	-	151
-	3,877	346,054
660,865	6,194	3,426,230
-	195,363	195,363
660,865	345,653	7,008,286
(477,333)	(30,283)	(2,446,506)
-	39,130	539,130
-	-	(539,130)
-	39,130	-
(477,333)	8,847	(2,446,506)
477,353	367,898	4,834,319
$ 20	$ 376,745	$ 2,387,813

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, 2016

Total change in fund balances, governmental funds		$	(2,446,506)
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:			
Expenditures for capital outlay	3,084,441		
Depreciation expense	(129,666)		
Net:			2,954,775
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:			(119,953)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:			(5,128)
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:			(51,246)
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:			(6,357)
Change in net assets of governmental activities - statement of activities		$	325,585

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 11,662
Total Assets	11,662
LIABILITIES:	
Due to Student Groups	$ 11,662
Total Liabilities	11,662
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

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.

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.

Capital Facilities Fund. This fund is used to account for fees and resources that will be used for the acquisition of capital assets for the District.

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 and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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.

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.

4. 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.

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 when incurred.

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.

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

Asset Class	Estimated Useful Lives
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).

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.

5. 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.

6. 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 Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

7. 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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

8. 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.

9. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1 Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

2 Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

3 Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

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.

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. 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 ($2,539,340 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $2,539,340. 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

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

Cash balances on hand and in banks ($14,441 as of June 30, 2016) and in the revolving fund ($2,707) 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.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	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 AAAf by Standard & Poors**.** The District's short term cash investments, guaranteed investment contract, and US treasury notes are rated A-1+ by Standard & Poors.

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, 2016, the District's bank balances (including revolving cash) of $17,148 were 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.

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.

D. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal programs	$ 185,628	$ -	$ -	$ 6,742	$ 192,370
State Government:					
Lottery	15,253	-	-	-	15,253
Other state programs	-	-	-	252	252
Local Sources:					
Special education	39,572	-	-	-	39,572
Interest	2,160	744	503	368	3,775
Other local sources	100,651	99,000	-	-	199,651
Totals	$ 343,264	$ 99,744	$ 503	$ 7,362	$ 450,873

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

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,000	$ -	$ -	$ 3,000
Work in progress	1,643,411	3,084,441	-	4,727,852
Total capital assets not being depreciated	1,646,411	3,084,441	-	4,730,852
Capital assets being depreciated:				
Buildings	2,059,265	-	-	2,059,265
Improvements	9,900	-	-	9,900
Equipment	728,609	-	-	728,609
Total capital assets being depreciated	2,797,774	-	-	2,797,774
Less accumulated depreciation for:				
Buildings	(1,513,046)	(79,413)	-	(1,592,459)
Improvements	(9,900)	-	-	(9,900)
Equipment	(613,277)	(50,253)	-	(663,530)
Total accumulated depreciation	(2,136,223)	(129,666)	-	(2,265,889)
Total capital assets being depreciated, net	661,551	(129,666)	-	531,885
Governmental activities capital assets, net	$ 2,307,962	$ 2,954,775	$ -	$ 5,262,737

Depreciation was charged to functions as follows:

Instruction	$ 88,419
Instruction-Related Services	6,123
Pupil Services	26,155
General Administration	2,876
Plant Services	6,093
	$ 129,666

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Capital Facilities Fund	Building Fund	$ 14,174	Correct deposit error
General Fund	Cafeteria Fund	7,896	Loan repayment
General Fund	Child Development Fund	13,099	Loan repayment
Building Fund	Capital Facilities Fund	145,900	Developer fee adjustments
Special Reserve Fund	General Fund	507,525	Cash contributions
	Total	$ 688,594	

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, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Child Development Fund	$ 11,700	Cash contribution
General Fund	Special Reserve Fund	500,000	Charter contribution
General Fund	Cafeteria Fund	27,430	Cash contribution
	Total	$ 539,130	

G. 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.

H. Accounts Payable

Accounts payable at June 30, 2016 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 29,334	$ 20,403	$ -	$ 2,626	$ 52,363
LCFF state aid	5,779	-	-	-	5,779
Pension related liabilities	17,924	-	-	-	17,924
Charter school payables	530,178	-	-	-	53,178
Payroll and benefits	690	-	-	601	1,291
Totals	$ 583,905	$ 20,403	$ -	$ 3,227	$ 607,535

I. 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, 2016 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Pension related	06/30/2015	Varies	$ 128,638	$ 311,679	$ 160,657	$ 279,660
Total Deferred Outflows of Resources			$ 128,638	$ 311,679	$ 160,657	$ 279,660

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Pension Related
2017	$ 183,608
2018	32,019
2019	32,019
2020	32,014
Total	$ 279,660

J. 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, 2016 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Pension related	06/30/2015	Varies	$ 152,441	$ 175,713	$ 73,253	$ 254,901
Total Deferred Inflows of Resources			$ 152,441	$ 175,713	$ 73,253	$ 254,901

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30,	Pension Related
2017	$ 73,253
2018	73,253
2019	73,253
2020	35,142
Total	$ 254,901

K. 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, 2016, 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	38,380	17,565	-	55,945	-
Bond premium	352,762	-	12,436	340,326	12,436
Net pension liability	1,688,246	770,027	601,572	1,856,701	-
Compensated absences *	21,314	6,357	-	27,671	27,671
Net OPEB obligation	137,556	78,765	27,519	188,802	-
Total governmental activities	$ 6,829,102	$ 872,714	$ 641,527	$ 7,060,289	$ 40,107

* 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, 2016 are as follows:

	Governmental Activities			
Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	$ 27,671	$ -	$ 195,361	$ 223,032
2018	4,775	225	195,363	200,363
2019	24,263	737	195,062	220,062
2020	23,942	1,058	194,463	219,463
2021	32,848	2,152	193,762	228,762
2022-2026	310,788	39,212	949,788	1,299,788
2027-2031	528,739	126,262	897,305	1,552,306
2032-2036	547,637	502,514	830,969	1,881,120
2037-2041	1,482,852	102,148	652,787	2,237,787
2042-2046	1,635,000	-	187,781	1,822,781
Totals	$ 4,618,515	$ 774,308	$ 4,492,641	$ 9,885,464

3. General Obligation Bonds

General obligation bonds at June 30, 2016 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
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
				$ 4,670,844

	Beginning Balance	Increases	Decreases	Ending Balance
2010 Election Series A	$ 2,419,852	$ -	$ -	$ 2,419,852
2010 Accreted Interest	19,527	8,961	-	28,488
2012 Election Series A	2,170,992	-	-	2,170,992
2012 Accreted Interest	18,853	8,604	-	27,457
Total GO Bonds	$ 4,629,224	$ 17,565	$ -	$ 4,646,789

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	$ -	$ -	$ 195,361	$ 195,361
2018	4,775	225	195,363	200,363
2019	24,263	737	195,062	220,062
2020	23,942	1,058	194,463	219,463
2021	32,848	2,152	193,762	228,762
2022-2026	310,788	39,212	949,788	1,299,788
2027-2031	528,739	126,262	897,305	1,552,306
2032-2036	547,637	502,514	830,969	1,881,120
2037-2041	1,482,852	102,148	652,787	2,237,787
2042-2046	1,635,000	-	187,781	1,822,781
Totals	$ 4,590,844	$ 774,308	$ 4,492,641	$ 9,857,793

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:

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

L. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). 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, 2016.

Financial information on the District's share of the JPA for the year ended June 30, 2016 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

M. 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. 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 Paid

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.

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

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.150%	8.150%
Required employer contribution rates (at June 30, 2015)	8.880%	8.880%
Required state contribution rates (at June 30, 2016)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.560%**
Required employer contribution rates	10.73%	10.73%
Required state contribution rates	7.126%	7.126%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%*	1.0 - 2.5%*
Required employee contribution rates (at June 30, 2015)	7.000%	6.000%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.000%	6.000%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

*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, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% 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 8.88% 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. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

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, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% 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.

f. Contributions Recognized

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	$ 78,410	$ 50,288	$ 128,698
Contributions - Employee (paid by employer)	79,242	30,259	109,501
Contributions - State On Behalf Payments	51,159	-	51,159
Total Contributions	$ 208,811	$ 80,547	$ 289,358

g. Pension Expense

For the year ended June 30, 2016, pension expense consisted of:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability	$ 44,944	$ 123,511	$ 168,455
Change in Contributions Made Subsequent to Measurement Date	(20,388)	(2,503)	(22,891)
Change in Difference Between Actual & Expected Experience	(250)	(34,818)	(35,068)
Change in Assumptions	-	37,433	37,433
Changes in Proportionate Shares	97,418	5,306	102,724
Net Difference Between Projected & Actual Earnings	337	(131,037)	(130,700)
Total Pension Expense	$ 122,061	$ (2,108)	$ 119,953

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

As of June 30, 2016, 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	$ 1,290,433
CalPERS	566,268
Total Net Pension Liability	$ 1,856,701

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, 2015, 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, 2014 rolled forward to June 30, 2015 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.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	CalPERS
Proportion - June 30, 2014	0.0021%	0.0014%	0.0035%	0.0039%
Proportion - June 30, 2015	0.0019%	0.0012%	0.0032%	0.0038%
Change - Increase (Decrease)	-0.0002%	-0.0002%	-0.0003%	-0.0001%

For the year ended June 30, 2016, the District recognized pension expense of $119,953.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 151,589	$ -
Differences between actual and expected experience	35,068	-
Changes in assumptions	-	(37,433)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(102,724)
Net difference between projected and actual earnings on plan investments	93,003	(114,744)
Total	$ 279,660	$ (254,901)

$151,589 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	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	$ 32,019	$ (73,253)	$ (41,234)
2018	32,019	(73,253)	(41,234)
2019	32,019	(73,253)	(41,234)
2020	32,014	(35,142)	(3,128)
Total	$ 128,071	$ (254,901)	$ (126,830)

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2014		June 30, 2014	
Measurement Date	June 30, 2015		June 30, 2015	
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS			
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.00%		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)	7.65%	(2)
Mortality	0.013%-0.435%	(3)	.00125%-.459%	(3)

(1) Depending on age, service, and type of employment.
(2) Net of pension plan investment expenses, including inflation.
(3) Industry standard published by the Society of Actuaries.

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. 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 7.60% and 7.65% discount rates are adequate and the use of the District bond rate calculation is not necessary. The long-term expected discount rate of 7.60% and 7.65% will be applied to all plans in the CalSTRS and CalPERS retirement funds. 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. An investment return excluding administrative expenses would have been 7.65%. 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.

CalSTRS

Asset Class	Strategic Allocation	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

*10 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	-	-
Plan Level	0.40%	-	-
Liquidity	2.50%	-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

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:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 1,942,358	$ 921,646
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 1,290,433	$ 566,268
1% Increase	8.60%	8.65%
Net Pension Liability	$ 741,239	$ 270,745

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)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	$ 8,759,529	$ 6,703,054	$ 2,056,476	$ 818,118	$ 1,238,358
Adjustment for CalSTRS Audit Adjustments	-	(5,112)	5,112	(2,018)	7,131
Balance at June 30, 2015 (As Adjusted)	8,759,529	6,697,942	2,061,588	816,099	1,245,489
Changes for the year:					
Change in proportionate share	(900,352)	(688,976)	(211,376)	(89,603)	(121,773)
Service cost	175,427	-	175,427	69,265	106,162
Interest	585,892	-	585,892	231,332	354,560
Differences between expected and actual experience	(41,425)	-	(41,425)	(16,356)	(25,069)
Contributions:					
Employer	-	78,410	(78,410)	(33,384)	(45,026)
Employee	-	79,242	(79,242)	(31,288)	(47,954)
State On Behalf	-	51,159	(51,159)	(17,775)	(33,384)
Net investment income	-	240,332	(240,332)	(94,892)	(145,440)
Other income	-	124	(124)	(49)	(75)
Benefit payments, including refunds of employee contributions	(396,718)	(396,718)	-	-	-
Administrative expenses	-	(4,865)	4,865	1,921	2,944
Net Changes	(577,177)	(641,292)	64,115	19,171	44,944
Balance at June 30, 2016	$ 8,182,353	$ 6,056,649	$ 2,125,703	$ 835,270	$ 1,290,433

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	$ 2,663,489	$ 2,220,732	$ 442,757
Changes for the year:			
Adjustment for Change in Proportionate Share	(39,901)	(33,269)	(6,632)
Service cost	62,427	-	62,427
Interest	197,943	-	197,943
Differences between expected and actual experience	43,523	-	43,523
Changes in assumptions	(46,791)	-	(46,791)
Contributions - Employer	-	50,288	(50,288)
Contributions - Employee	-	30,259	(30,259)
Net plan to plan resource movement	-	(5)	5
Net investment income	-	48,880	(48,880)
Benefit payments, including refunds of employee contributions	(128,085)	(128,085)	-
Administrative expenses	-	(2,463)	2,463
Net Changes	89,116	(34,395)	123,511
Balance at June 30, 2016	$ 2,752,605	$ 2,186,337	$ 566,268

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

N. 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, 2016 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 2015-16, the District contributed $27,519 for health care benefits which represented 34.9% 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 Districts 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	$ 78,765
Contribution made	(27,519)
Increase in net OPEB obligation	51,246
Net OPEB obligation, beginning of year	137,556
Net OPEB obligation, end of year	$ 188,802

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2015, and 2016 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
2016	$78,765	34.9%	$188,802

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, 2016 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, 2016 of 27 years.

O. Adjustment to Beginning Net Position

With the implementation of GASB Statement No 68 & 71, the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS. During the current year it was determined that the CalSTRS proportionate share amount did not include payments made on behalf of district employees by the California Department of Education under a special funding agreement. As a result, there was an understatement in proportionate share reported by the District which is being corrected with an adjustment to beginning net position. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	$	7,197
Adjustments for:		
Net Pension Liability Corrections		(76,761)
Deferred Outflows of Resources - Pension Related Corrections		(9,893)
Deferred Inflows of Resources - Pension Related Corrections		287,491
Net Position, Beginning (As Restated)	$	208,034

P. Components of Ending Fund Balance

As of June 30, 2016 components of ending fund balance consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 2,707	$ -	$ -	$ -	$ 2,707
Restricted Fund Balances					
Educational Programs	90,324	-	-	1,181	91,505
Child Nutrition Program	-	-	-	16,590	16,590
Debt Service	-	-	-	122,389	122,389
Commited Fund Balances					
Deferred Maintenance	-	-	-	101,803	101,803
Capital Projects	-	547,087	-	-	547,087
Assigned Fund Balances					
Educational Programs	62,655	-	-	127,309	189,964
Capital Projects	-	-	20	7,473	7,493
Post Employment Benefits	67,979	-	-	-	67,979
Unassigned Fund Balances					
For Economic Uncertainty	1,240,296	-	-	-	1,240,296
Total Fund Balance	$ 1,463,961	$ 547,087	$ 20	$ 376,745	$ 2,387,813

Q. 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 view 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.

R. Construction Commitments

As of June 30, 2016 the District had the following commitments with respect to unfinished capital projects:

	Commitment	Expected Date of Completion*
Construction in Process:		
Dehesa Elementary Two-Story Building Addition	$ 4,737,889	January 2017
Shade Structure	250,000	January 2017
Office Improvement	50,000	January 2017

*Expected date of completion subject to change

S. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 74

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

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

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources**.** This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

The gross dollar amount of taxes abated during the period.

Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

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

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

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

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

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

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

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

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units-an amendment of GASB Statement No, 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 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

EXHIBIT B-1

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,152,225	$ 1,147,760	$ 1,150,286	$ 2,526
Education Protection Account Funds	204,445	233,472	231,404	(2,068)
Local Sources	105,417	115,529	117,654	2,125
Federal Revenue	395,305	470,873	465,288	(5,585)
Other State Revenue	160,544	239,323	239,494	171
Other Local Revenue	1,764,716	1,764,716	1,846,470	81,754
Total Revenues	3,782,652	3,971,673	4,050,596	78,923
Expenditures:				
Current:				
Certificated Salaries	890,685	922,750	932,576	(9,826)
Classified Salaries	501,904	516,214	510,217	5,997
Employee Benefits	417,000	503,441	484,443	18,998
Books And Supplies	108,778	137,731	94,499	43,232
Services And Other Operating Expenditures	1,395,391	1,447,258	1,542,169	(94,911)
Direct Support/Indirect Costs	-	-	(3,877)	3,877
Capital Outlay	800	-	-	-
Total Expenditures	3,314,558	3,527,394	3,560,027	(32,633)
Excess (Deficiency) of Revenues Over (Under) Expenditures	468,094	444,279	490,569	46,290
Other Financing Sources (Uses):				
Transfers In	31,200	-	-	-
Transfers Out	(63,090)	(429,031)	(539,130)	(110,099)
Total Other Financing Sources (Uses)	(31,890)	(429,031)	(539,130)	(110,099)
Net Change in Fund Balance	436,204	15,248	(48,561)	(63,809)
Fund Balance, July 1	457,536	457,536	457,536	-
Fund Balance, June 30	$ 893,740	$ 472,784	$ 408,975	$ (63,809)

DEHESA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/13	$ -	$ 448,800	$ 448,800	-	$ 1,384,400	32.4%
07/01/13	$ -	$ 448,800	$ 448,800	-	$ 1,474,031	30.4%
07/01/16	$ -	$ 458,469	$ 458,469	-	$ 1,505,193	30.5%

EXHIBIT B-2

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0019%	0.0021%	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)	$ 1,290,433	$ 1,245,489	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	$ 835,270	$ 816,099	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	$ 2,125,703	$ 2,061,588	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 920,764	$ 882,995	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	140.15%	141.05%	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	74.02%	76.52%	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 was 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 and 2016 there were no changes to benefits.

2) Changes in Assumptions: In 2015 and 2016, there were no changes in assumptions.

EXHIBIT B-3

DEHESA SCHOOL DISTRICT

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 98,798	$ 78,410	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(98,798)	(78,410)	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
District's covered-employee payroll	$ 920,764	$ 882,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	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 was the first year of implementation and as such information is not being presented for years prior to implementation.

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 June 30, 2014, and rolling forward the total pension liability to June 30, 2014 and June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013 and June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11
Actuarial Cost Method	Entry age normal	
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post-retirement Benefit Increases	2.00% simple	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.

EXHIBIT B-4

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0038%	0.0039%	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)	$ 566,268	$ 442,757	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 445,606	$ 427,219	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	127.08%	103.64%	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	79.43%	83.38%	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 was 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 and 2016 there were no changes to benefits.

2) Changes in Assumptions: In 2015, there were no changes to assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expenses.

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 52,791	$ 50,288	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(52,791)	(50,288)	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
District's covered-employee payroll	$ 445,606	$ 427,219	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	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 and June 30, 2015 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2013 and June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 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		
Valuation Date	06/30/14	06/30/15
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11
Discount Rate	7.50%	7.65%
Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Increase	2.00% Simple	2.00-2.75%

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 2013 and 2014 experience study reports available on the CalPERS website.

All other actuarial assumptions used in the valuations were based on the results of actuarial experience studies for periods noted above, including updates to salary increase, mortality and retirement rates. Further details of the Experience Studies can be found at CalPERS' website.

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	$	1,463,961
Less Fund 20 Fund Balance		(67,979)
Less Fund 17 Fund Balance		(987,007)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	408,975

General Fund - Fund Financial Statements Net Change in Fund Balance	$	454,579
Change in Fund Balance attributed to Fund 20		(390)
Change in Fund Balance attributed to Fund 17		(502,750)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	(48,561)

Excess of Expenditures Over Appropriations

As of June 30, 2016, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category		Excess Expenditures	Reason for Excess Expenditures
General Fund:			
Certificated Salaries	$	9,826	Unexpected increase in salaries for the year
Services and Other Expenses		94,911	Underestimated amount required for expenses

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, 2016

	Special Revenue Funds	Debt Service Fund — Bond Interest & Redemption	Capital Projects Fund — Capital Outlay Projects	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 260,975	$ 122,389	$ 7,462	$ 390,826
Cash on Hand and in Banks	2,779	-	-	2,779
Accounts Receivable	7,351	-	11	7,362
Total Assets	271,105	122,389	7,473	400,967
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 3,227	$ -	$ -	$ 3,227
Due to Other Funds	20,995	-	-	20,995
Total Liabilities	24,222	-	-	24,222
Fund Balance:				
Restricted Fund Balances	17,771	122,389	-	140,160
Committed Fund Balances	101,803	-	-	101,803
Assigned Fund Balances	127,309	-	7,473	134,782
Total Fund Balance	246,883	122,389	7,473	376,745
Total Liabilities and Fund Balances	$ 271,105	$ 122,389	$ 7,473	$ 400,967

DEHESA SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Fund Capital Outlay Projects	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 48,453	$ -	$ -	$ 48,453
Other State Revenue	3,564	2,267	-	5,831
Other Local Revenue	54,299	206,744	43	261,086
Total Revenues	106,316	209,011	43	315,370
Expenditures:				
Pupil Services	140,219	-	-	140,219
General Administration	3,877	-	-	3,877
Plant Services	6,194	-	-	6,194
Debt Service:				
Interest	-	195,363	-	195,363
Total Expenditures	150,290	195,363	-	345,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,974)	13,648	43	(30,283)
Other Financing Sources (Uses):				
Transfers In	39,130	-	-	39,130
Total Other Financing Sources (Uses)	39,130	-	-	39,130
Net Change in Fund Balance	(4,844)	13,648	43	8,847
Fund Balance, July 1	251,727	108,741	7,430	367,898
Fund Balance, June 30	$ 246,883	$ 122,389	$ 7,473	$ 376,745

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Charter School Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 128,306	$ 11,740
Cash on Hand and in Banks	-	1,928
Accounts Receivable	184	10
Total Assets	128,490	13,678
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ 579
Due to Other Funds	-	13,099
Total Liabilities	-	13,678
Fund Balance:		
Restricted Fund Balances	1,181	-
Committed Fund Balances	-	-
Assigned Fund Balances	127,309	-
Total Fund Balance	128,490	-
Total Liabilities and Fund Balances	$ 128,490	$ 13,678

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 19,276	$ 101,653	$ 260,975
851	-	2,779
7,007	150	7,351
27,134	101,803	271,105
$ 2,648	$ -	$ 3,227
7,896	-	20,995
10,544	-	24,222
16,590	-	17,771
-	101,803	101,803
-	-	127,309
16,590	101,803	246,883
$ 27,134	$ 101,803	$ 271,105

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	$ -	$ -
Other State Revenue	-	-
Other Local Revenue	737	38,142
Total Revenues	737	38,142
Expenditures:		
Pupil Services	-	49,843
General Administration	-	-
Plant Services	-	-
Total Expenditures	-	49,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	737	(11,701)
Other Financing Sources (Uses):		
Transfers In	-	11,701
Total Other Financing Sources (Uses)	-	11,701
Net Change in Fund Balance	737	-
Fund Balance, July 1	127,753	-
Fund Balance, June 30	$ 128,490	$ -

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 48,453	$ -	$ 48,453
3,564	-	3,564
14,807	613	54,299
66,824	613	106,316
90,376	-	140,219
3,877	-	3,877
-	6,194	6,194
94,253	6,194	150,290
(27,429)	(5,581)	(43,974)
27,429	-	39,130
27,429	-	39,130
-	(5,581)	(4,844)
16,590	107,384	251,727
$ 16,590	$ 101,803	$ 246,883

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

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 seven 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

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2016

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	75.50	N/A	75.87	N/A
TK/K-3 Totals	75.50	N/A	75.87	N/A
Grades 4-6:				
Regular ADA	60.85	N/A	61.23	N/A
Grades 4-6 Totals	60.85	N/A	61.23	N/A
Grades 7 and 8:				
Regular ADA	37.83	N/A	37.19	N/A
Grades 7 and 8 Totals	37.83	N/A	37.19	N/A
ADA Totals	174.18	N/A	174.29	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

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2016

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	35,000	55,781	181	-	Complied
Grade 1	49,000	55,781	181	-	Complied
Grade 2	49,000	55,781	181	-	Complied
Grade 3	49,000	55,681	181	-	Complied
Grade 4	52,500	55,681	181	-	Complied
Grade 5	52,500	55,681	181	-	Complied
Grade 6	52,500	55,981	181	-	Complied
Grade 7	52,500	55,981	181	-	Complied
Grade 8	52,500	55,981	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

TABLE D-3

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

General Fund	Budget 2017 (See Note 1)	2016	2015	2014
Revenues and other financial sources	$ 3,839,281	$ 4,050,596	$ 3,357,995	$ 3,140,276
Expenditures, other uses and transfers out	3,870,600	4,099,157	3,442,223	3,183,760
Change in fund balance (deficit)	(31,319)	(48,561)	(84,228)	(43,484)
Ending fund balance	$ 377,656	$ 408,975	$ 457,536	$ 541,764
Available reserves (Note 2)	$ 331,760	$ 315,944	$ 292,579	$ 292,210
Available reserves as a percentage of total outgo	8.6%	7.4%	8.5%	9.3%
Total long-term debt (Note 5)	$ 7,020,182	$ 7,060,289	$ 6,732,340	$ 5,092,320
Average daily attendance at P-2	174	174	171	181

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 decreased by $176,272 over the past three years. The fiscal year 2016-17 budget projects a decrease of $31,319. 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 $4,248,277 over the past three years.

Average daily attendance (ADA) has decreased by 33 over the past three years.

Notes:
1. Budget 2017 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 $68,842, $51,163, and $51,179, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.
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 years ended June 30, 2015 and 2016 are not comparable to previous years represented in this table.

DEHESA SCHOOL DISTRICT

TABLE D-4

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

	General Fund	Special Reserve Fund(17)	Special Reserve Fund(20)
June 30, 2016, annual financial and budget report fund balances	$ 408,975	$ 987,007	$ 67,979
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB 54 required inclusion with general fund	1,054,986	(987,007)	(67,979)
Net adjustments and reclassifications	1,054,986	(987,007)	(67,979)
June 30, 2016, audited financial statement fund balances	$ 1,463,961	$ -	$ -

	Schedule of Long-Term Debt
June 30, 2016, annual financial and budget report total liabilities	$ 7,907,991
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net pension liability overstatement	(835,267)
Accreted interest overstatement	(12,435)
Net adjustments and reclassifications	(847,702)
June 30, 2016, audited financial statement total liabilities	$ 7,060,289

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

TABLE D-5

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2016

The following charter schools are chartered by Dehesa School District.

Charter Schools	Included In Audit?
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
Inspire Charter School-South	No

Other Independent Auditor's Reports

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

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, 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, 2016, 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 December 6, 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 2016-001.

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Tel. (619) 447-6700   Fax (619) 447-6707

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1900 Powell Street, Suite 600 Emeryville, CA 94608
Tel. (619) 510-588-8729   Fax (619) 447-6707

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
December 6, 2016

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

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

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 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, 2016.

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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** 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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. 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:

Compliance Requirements	Procedures in Audit Guide Performed?
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
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	Yes
Transportation Maintenance of Effort	Yes

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

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	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, 2016.

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, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

Dehesa School District's Response to Findings

Dehesa School District's response to the finding 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 6, 2016

Findings and Recommendations Section

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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:	Not Applicable		
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:

CFDA Number(s)	Name of Federal Program or Cluster
Not Applicable	Not Applicable

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

B. Financial Statement Findings

NONE

C. State Award Findings and Questioned Costs

Finding 2016-001 (40000)
Unduplicated Pupil Counts

Criteria or Specific Requirement
Verify that students reported as eligible under only free or reduced priced meal (FRPM) on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicates the student was eligible for the designation, such as a FRPM eligibility application under federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or county office of education that matches enrolled students against those children/households receiving CalFresh (or CalWORKs) benefits.

Condition
In our review of students reported under Free and Reduced Meal Program (FRPM) on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified thirteen students out of thirty six tested that were incorrectly designated on the report as FRPM.

Questioned Costs
$5,912 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts after extrapolation of errors.

Audit adjustments to the counts are as follows:

	Reported Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	554	0	554
Free & Reduced Meal Program	36	(13)	23
English Learners (ELAS)	11	0	11
Both FRPM & ELAS	15	0	15
Other Funded (Direct Certifications)	247	0	247
Total	309	(13)	296

Context
Supplemental and concentration grant amounts (as part of the LCFF Funding) are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

1) Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated Count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).

2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Effect
Supplemental and Concentration grants were over funded based on the additional students included in the unduplicated pupil counts.

Cause
The District based the information in CalPADS based on who was receiving free and reduced meals, which included students who had not turned in a meal application but were within the grace period to receive free or reduced meals based on a prior year application.

Recommendation
Implement a process to ensure that information reported in CalPADS is based on current year information rather than prior year information.

LEA's Response
The District has implemented a dual review process to verify free and reduced lunch counts that are reported in CalPADS. Information is collected and input by the attendance clerk. Free and Reduced lunch data is then subsequently extracted and sent to the Child Nutrition Coordinator for validation.

DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2015-001 Attendance Class rosters for the seventh month of attendance were not being printed and verified on a timely basis. Verification of attendance was in excess of two weeks and up to two months after each weekly attendance period. Implement procedures to ensure all class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of the attendance period.	Implemented	
Finding 2015-002 School Accountability Report Card In review of the school accountability report card for Dehesa Elementary School, we noted the facilities information was not derived from the most recent facilities walkthrough; consequently, the school accountability report card did not disclose the most current information in regards to the school facilities status. Implement a review process to ensure that the facilities information and status disclosed in the school accountability report card is from the most recent facilities walkthrough prior to the publication date.	Implemented	

DEHESA SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	001	Finding:	In our review of unduplicated counts of students reported under Form 1.18 Free and Reduced Meal Program (FRMP), a total of thirteen students were incorrectly designated.
		Questioned Costs:	$5,912 in reduction in supplemental and concentration grants.
		Status:	Complete
		Corrective Action:	The District has established a review procedure to ensure all students have a proper free and reduced application on file in order to be claimed in the counts under the Free and Reduced Meal Program in Form 1.18.
		Completion Date:	September 30, 2016