DEHESA SCHOOL DISTRICT
COUNTY OF SAN DIEGO
EL CAJON, CALIFORNIA

AUDIT REPORT

JUNE 30, 2017

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, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dehesa School District as of June 30, 2017, 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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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability 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, *2016-17 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 15, 2017 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 15, 2017

DEHESA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017. It should be read in conjunction with District's financial statements, which immediately follow this section.

In June 1999, the Governmental Accounting Standards Board (GASS) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASS 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 $1,305,124.
- The total revenues were $5,354,156. The cost of basic programs was $4,582,651.
- The change in net position was $771,505.

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 is a summary of 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 statement

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 Position. The District's combined net position as of June 30, 2017, was $1,305,124 (See Table A-1 below.)

Table A-1			
Condensed Statement of Net Position			
	30-Jun-16	30-Jun-17	$ Change
Current & Other Assets	$2,995,698	$3,519,843	$524,145
Capital Assets, Net of Depreciation	$5,262,737	$5,724,000	$461,263
Total Assets	$8,258,435	$9,243,850	$985,415
Deferred Outflows of Resources	$279,660	$388,655	$108,995
Current Liabilities	$689,286	$635,318	($53,968)
General Long-Term Debt	$7,060,289	$7,414,822	$354,533
Total Liabilities	$7,749,575	$8,050,140	$300,565
Deferred Inflows of Resources	$254,901	$277,241	$22,340
Net Position			
Invested in Capital Assets	$671,893	$722,379	$50,486
Capital Projects	$656,383	$260,413	($395,970)
Debt Service	$122,389	$109,464	($12,925)
Educational Programs	$90,324	$961,760	$871,436
Other Purposes	$1,507,390	$221,744	($1,285,646)
Unrestricted	($2,514,760)	($970,636)	$1,544,124
Total Net Position	$533,619	$1,305,124	$771,505

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets. The District's total revenue was $5,354,156. (See Table A-2). The total cost of all programs and services was $4,582,651. The total revenues surpassed expenses by $771,505.

Table A-2		
Condensed Statement of Activities		
	30-Jun-16	30-Jun-17
Revenues		
Program Revenues		
Charges for Services	$14,757	$20,078
Operating Grants and Contributions	$1,708,285	$1,628,724
Capital Grants and Contributions	$0	$0
General Revenues		
Taxes & Subventions	$1,136,736	$1,280,700
Federal & State Revenue	$746,692	$661,939
Local Revenue	$1,105,201	$1,762,715
Total Revenues	$4,711,671	$5,354,156
Expenses		
Instruction	$2,708,227	$1,538,430
Instruction-Related Services	$395,685	$416,606
Pupil Services	$353,662	$1,717,966
General Administration	$372,735	$399,323
Plant Services	$354,653	$294,236
Depreciation (Unallocated)		
Other Outgo	$632	$1,713
Interest on Long-Term Debt	$200,492	$214,377
Total Expenses	$4,386,086	$4,582,651
Change in Net Position	$325,585	$771,505

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 2016-2017 with a total combined, government fund balance of $2,965,927. A breakdown of the ending fund balances in governmental funds is summarized on Table A-3 below.

Table A-3	
Governmental Funds	
General Fund	$2,453,935
Other Governmental Funds	$511,992
Total	$2,965,927

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 B-1 Budget vs. Actual Expenditures			
	Original	Final	Actual
REVENUES			
LCFF Sources			
State Apportionments or State Aid	1,229,469.00	1,242,633.00	1,242,633.00
Education Protection Account Funds	224,948.00	222,736.00	222,736.00
Local Sources	109,425.00	183,489.00	183,489.00
Federal Revenue	392,737.00	386,107.00	386,107.00
Other State Revenue	167,259.00	236,346.00	236,346.00
Other Local Revenue	1,715,443.00	2,771,767.00	2,771,767.00
Total Revenues	$ 3,839,281.00	$ 5,043,078.00	$ 5,043,078.00
EXPENDITURES			
Current			
Certificated Salaries	938,074.00	863,256.00	863,256.00
Classified Salaries	524,782.00	505,287.00	505,287.00
Employee Benefits	512,436.00	536,163.00	536,163.00
Books and Supplies	122,502.00	80,242.00	80,242.00
Services & Other Operating Expenditures	1,400,427.00	1,728,932.00	1,728,932.00
Capital Outlay	50,428.00	312,427.00	312,427.00
Total Expenditures	$ 3,548,649.00	$ 4,026,307.00	$ 4,026,307.00
EXCESS/DEFICIENCY OF REVENUES			
OVER UNDER EXPENDITURES	$ 290,632.00	$ 1,016,771.00	$ 1,016,771.00
OTHER FINANCING SOURCES/USES			
Transfers In	-	109,233.00	109,233.00
Transfers Out	(321,951.00)	(1,064,850.00)	(1,064,850.00)
Total Other Financing Sources/Uses	$ (321,951.00)	$ (955,617.00)	$ (955,617.00)
NET CHANGE IN FUND BALANCE	**$ (31,319.00)**	**$ 61,154.00**	**$ 61,154.00**
Fund Balance July 1, 2016	$ 408,975.00	$ 408,975.00	$ 408,975.00
Fund Balance June 30, 2017	$ 377,656.00	$ 470,129.00	$ 470,129.00

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets (net of depreciation) were $5,262,737. These assets include Land, Work in Progress, Land Improvements, Building Construction, and Equipment. The total depreciation expense for the year was $247,861.

Table A-7 E			
Capital Assets			
	30-Jun-16	30-Jun-17	Change
Work in Progress	$4,727,852	$0	($4,727,852)
Land	$3,000	$3,000	$0
Buildings	$2,059,265	$7,211,079	$5,151,814
Land Improvements	$9,900	$251,457	$241,557
Equipment	$728,609	$772,221	$43,612
Less: Accumulated Depreciation	($2,265,889)	($2,513,750)	($247,861)
Total Capital Assets, Net of Depreciation	$5,262,737	$5,724,007	$461,270

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30 , 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

Table A-7 K			
Long Term Debt			
	30-Jun-16	30-Jun-17	$ Change
Compensated Absences	$27,671	$15,536	($12,135)
GO Bonds	$4,590,844	$4,590,844	$0
Other Long-Term Debt	$396,271	$410,783	$14,512
Net Pension Liability	$1,856,701	2,161,294	$304,593
Net OPEB Obligation	$188,802	$236,365	$47,563
Total Long Term Debt	$7,060,289	$7,414,822	$354,533

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 Anna Buxbaum, 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, 2017

		Govermental Activities
ASSETS:		
Cash	$	2,476,875
Accounts Receivable		1,042,968
Capital Assets:		
Land		3,000
Land Improvements		251,457
Buildings		7,211,079
Equipment		772,221
Less Accumulated Depreciation		(2,513,750)
Total Assets		9,243,850
DEFERRED OUTFLOWS OF RESOURCES		388,655
LIABILITIES:		
Accounts Payable		635,060
Unearned Revenue		258
Long-Term Liabilities:		
Due Within One Year		32,972
Due in More Than One Year		7,381,850
Total Liabilities		8,050,140
DEFERRED INFLOWS OF RESOURCES		277,241
NET POSITION:		
Net Investment in Capital Assets		722,379
Restricted for:		
Capital Projects		260,413
Debt Service		109,464
Educational Programs		961,760
Other Purposes (Expendable)		219,037
Other Purposes (Nonexpendable)		2,707
Unrestricted		(970,636)
Total Net Position	$	1,305,124

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 1,538,430	$ -	$ 370,450	$ -	$ (1,167,980)
Instruction-Related Services:					
Instructional Supervision and Administration	43,287	-	36,046	-	(7,241)
Instructional Library, Media and Technology	69,621	-	-	-	(69,621)
School Site Administration	303,698	-	24,827	-	(278,871)
Pupil Services:					
Home-to-School Transportation	184,971	-	-	-	(184,971)
Food Services	90,964	17,485	41,357	-	(32,122)
All Other Pupil Services	1,442,031	-	1,148,944	-	(293,087)
General Administration:					
Centralized Data Processing	1,713	-	-	-	(1,713)
All Other General Administration	399,323	-	967	-	(398,356)
Plant Services	294,236	-	-	-	(294,236)
Interest on Long-Term Debt	214,377	-	-	-	(214,377)
Other Outgo	-	2,593	6,133	-	8,726
Total Expenses	$ 4,582,651	$ 20,078	$ 1,628,724	$ -	$ (2,933,849)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	1,094,425
Taxes Levied for Debt Service	186,275
Federal and State Aid Not Restricted to Specific Programs	661,939
Interest and Investment Earnings	24,706
Interagency Revenues	1,609,332
Miscellaneous	128,677
Total General Revenues	$ 3,705,354
Change in Net Position	771,505
Net Position - Beginning	533,619
Net Position - Ending	$ 1,305,124

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	$ 1,967,882	$ 503,507	$ 2,471,389
Cash on Hand and in Banks	-	2,779	2,779
Cash in Revolving Fund	2,707	-	2,707
Accounts Receivable	1,006,500	36,468	1,042,968
Due from Other Funds	1,146,547	2,899	1,149,446
Total Assets	4,123,636	545,653	4,669,289
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 551,000	$ 2,658	$ 553,658
Due to Other Funds	1,118,443	31,003	1,149,446
Unearned Revenue	258	-	258
Total Liabilities	1,669,701	33,661	1,703,362
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	2,707	-	2,707
Restricted Fund Balances	31,216	11,771	42,987
Assigned Fund Balances	1,601,347	500,221	2,101,568
Unassigned:			
Reserve for Economic Uncertainty	1,000,000	-	1,000,000
Other Unassigned	(181,335)	-	(181,335)
Total Fund Balance	2,453,935	511,992	2,965,927
Total Liabilities and Fund Balances	$ 4,123,636	$ 545,653	$ 4,669,289

The accompanying notes are an integral part of this statement.

EXHIBIT A-4

DEHESA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances, governmental funds		$ 2,965,927
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:	8,237,757	
Accumulated depreciation:	(2,513,750)	
Net:		5,724,007
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:		(81,402)
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		388,655
Deferred inflows of resources relating to pensions		(277,241)
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	5,001,627	
Net Pension Liability	2,161,294	
Net OPEB obligation	236,365	
Compensated absences payable	15,536	
		(7,414,822)
Total net position, governmental activities		$ 1,305,124

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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	$ 1,242,633	$ -	$ 1,242,633
Education Protection Account Funds	222,736	-	222,736
Local Sources	183,488	-	183,488
Federal Revenue	386,107	43,516	429,623
Other State Revenue	236,346	5,780	242,126
Other Local Revenue	2,778,274	255,277	3,033,551
Total Revenues	5,049,584	304,573	5,354,157
Expenditures:			
Current:			
Instruction	1,199,304	-	1,199,304
Instruction - Related Services	370,122	-	370,122
Pupil Services	1,527,912	135,000	1,662,912
General Administration	367,690	-	367,690
Plant Services	248,852	18,169	267,021
Capital Outlay	312,427	396,704	709,131
Debt Service:			
Interest	-	199,863	199,863
Total Expenditures	4,026,307	749,736	4,776,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,023,277	(445,163)	578,114
Other Financing Sources (Uses):			
Transfers In	1,128,162	45,921	1,174,083
Transfers Out	(1,161,465)	(12,618)	(1,174,083)
Total Other Financing Sources (Uses)	(33,303)	33,303	-
Net Change in Fund Balance	989,974	(411,860)	578,114
Fund Balance, July 1	1,463,961	923,852	2,387,813
Fund Balance, June 30	$ 2,453,935	$ 511,992	$ 2,965,927

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total change in fund balances, governmental funds		$	578,114
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	709,131		
Depreciation expense	(247,861)		
Net:			461,270
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that iti is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(26,949)
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:			(217,938)
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:			12,436
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(47,563)
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:			12,135
Change in net assets of governmental activities - statement of activities		$	771,505

The accompanying notes are an integral part of this statement.

DEHESA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 10,025
Total Assets	10,025
LIABILITIES:	
Due to Student Groups	$ 10,025
Total Liabilities	10,025
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 operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statement 14, 39 and 61.

3. 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.

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 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

4. 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.

5. 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.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

c. Expenses/Expenditures

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

7. 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.

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of 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.

9. 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.

10. 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

11. 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.

12. 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.

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

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

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

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

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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

1. 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.

2. The gross dollar amount of taxes abated during the period.

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

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

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 did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

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

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

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 ($2,471,389 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $2,471,389. 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 ($12,804 as of June 30, 2017) 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/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

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.

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 agency**.** California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured 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. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, 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. At year end, the District was not exposed to interest rate risk.

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 in conformity with GASB Statement No. 77 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, 2017 consisted of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Federal programs	$ 65,882	$ 14,876	$ 80,758
State Government:			
Lottery	8,140	-	8,140
Other state programs	14,913	1,273	16,186
Local Sources:			
Interest	6,278	1,680	7,958
Other local sources	911,287	18,639	929,926
Totals	$ 1,006,500	$ 36,468	$ 1,042,968

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, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,000	$ -	$ -	$ 3,000
Work in progress	4,727,852	-	4,727,852	-
Total capital assets not being depreciated	4,730,852	-	4,727,852	3,000
Capital assets being depreciated:				
Buildings	2,059,265	5,151,814	-	7,211,079
Improvements	9,900	241,557	-	251,457
Equipment	728,609	43,612	-	772,221
Total capital assets being depreciated	2,797,774	5,436,983	-	8,234,757
Less accumulated depreciation for:				
Buildings	(1,592,459)	(195,130)	-	(1,787,589)
Improvements	(9,900)	(12,078)	-	(21,978)
Equipment	(663,530)	(40,653)	-	(704,183)
Total accumulated depreciation	(2,265,889)	(247,861)	-	(2,513,750)
Total capital assets being depreciated, net	531,885	5,189,122	-	5,721,007
Governmental activities capital assets, net	$ 5,262,737	$ 5,189,122	$ 4,727,852	$ 5,724,007

Depreciation was charged to functions as follows:

Instruction	$ 206,580
Instruction-Related Services	6,158
Pupil Services	26,155
General Administration	2,875
Plant Services	6,093
	$ 247,861

F. Accounts Payable

Accounts payable at June 30, 2017 consisted of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 21,772	$ 1,869	$ 23,641
Charter school payables	512,892	-	512,892
Payroll and benefits	16,336	789	17,125
Totals	$ 551,000	$ 2,658	$ 553,658

G. Unearned Revenue

Unearned revenue at June 30, 2017 consisted of:

	General Fund
Federal Government:	
Indian Education	$ 258

H. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June, 30 2017 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Govt. Fund	$ 2,899	Expense reimbursements
General Fund	General Fund	1,018,929	Transfer of funds
Nonmajor Govt. Fund	General Fund	31,003	Expense reimbursements
General Fund	General Fund	96,615	Expense reimbursements
	Total	$ 1,149,446	

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, 2017 consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Govt. Fund	$ 45,921	Cash contribution
General Fund	General Fund	1,018,929	Transfer of funds
Nonmajor Govt. Fund	General Fund	12,618	Transfer of funds
General Fund	General Fund	96,615	Reimburse expenditures
	Total	$ 1,174,083	

I. Short-Term Debt Activity

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

J. 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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds					
Principal balance	$ 4,590,844	$ -	$ -	$ 4,590,844	$ 4,775
Accreted interest	55,945	26,948	-	82,893	225
Bond premium	340,326	-	12,436	327,890	12,436
Total GO bonds	4,987,115	26,948	12,436	5,001,627	17,436
Net pension liability	1,856,700	729,306	424,712	2,161,294	-
Compensated absences *	27,671	-	12,135	15,536	15,536
Net OPEB obligation	188,802	78,765	31,202	236,365	-
Total governmental activities	$ 7,060,289	$ 835,019	$ 480,485	$ 7,414,822	$ 32,972

* 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. General Obligation Bonds

General obligation bonds at June 30, 2017 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Election Series A	07/12/2012	3.00-5.25%	08/01/2043	$ 2,499,852
2012 Election Series A	05/20/2014	3.75-5.50%	08/01/2044	2,170,992
				$ 4,670,844

	Beginning Balance	Increases	Decreases	Ending Balance
2010 Election Series A				
Principal balance	$ 2,419,852	$ -	$ -	$ 2,419,852
Accreted interest	28,488	9,735	-	38,223
Bond premium	194,730	-	7,212	187,518
Total 2010-A Bonds	2,643,070	9,735	7,212	2,645,593
2012 Election Series A				
Principal balance	2,170,992	-	-	2,170,992
Accreted interest	27,457	17,213	-	44,670
Bond premium	145,596	-	5,224	140,372
Total 2012-A Bonds	2,344,045	17,213	5,224	2,356,034
Total GO Bonds	$ 4,987,115	$ 26,948	$ 12,436	$ 5,001,627

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	$ 4,775	$ 225	$ 195,362	$ 200,362
2019	24,263	737	195,063	220,063
2020	23,942	1,058	193,963	218,963
2021	32,848	2,152	193,763	228,763
2022	41,286	3,714	192,863	237,863
2023-2027	357,470	52,530	941,338	1,351,338
2028-2032	579,567	150,433	882,450	1,612,450
2033-2037	673,841	461,311	807,538	1,942,690
2038-2042	1,632,852	102,148	564,250	2,299,250
2043-2047	1,220,000	-	86,220	1,306,220
Totals	$ 4,590,844	$ 774,308	$ 4,252,810	$ 9,617,962

3. Bond Premium

Bond premium arises when the market rate of interest is lower 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%

4. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2017 for bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedules represent the entire amount that will be repaid in the years the accreted interest becomes due.

5. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to $15,536. This amount is included as part of long-term liabilities in the government-wide financial statements.

6. Net Pension Liability

The District's beginning net pension liability was $1,856,700 and increased by $304,594 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was $2,161,294. See Note M for additional information regarding the net pension liability.

7. Net OPEB Liability

The District's beginning net OPEB obligation was $188,802 and increased during the year ended June 30, 2017 by $47,563. The ending net OPEB liability at June 30, 2017 was $236,365. See Note N for additional information regarding the net OPEB liability.

K. 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, 2017 is as follows:

Description	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related	Varies	$ 279,660	$ 324,636	$ 215,641	$ 388,655
Total Deferred Outflows of Resources		$ 279,660	$ 324,636	$ 215,641	$ 388,655

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Pension Related
2018	$ 228,523
2019	64,050
2020	64,051
2021	32,031
Total	$ 388,655

L. 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, 2017 is as follows:

Description	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related	Varies	$ 254,901	$ 119,491	$ 97,151	$ 277,241
Total Deferred Inflows of Resources		$ 254,901	$ 119,491	$ 97,151	$ 277,241

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30,	Pension Related
2018	$ 97,151
2019	97,150
2020	59,044
2021	23,896
Total	$ 277,241

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. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2017 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, 2017)	10.250%	9.205%**
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	5.948%	5.948%

*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, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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.

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, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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, 2016 (measurement date) the State contributed 5.948% 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. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	$ 51,159
2016	7.126%	66,913
2017	5.948%	54,165

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 95,147	$ 52,137	$ 147,284
Contributions - State On Behalf Payments (Fiscal Year)	54,165	-	54,165
Total Contributions	$ 149,312	$ 52,137	$ 201,449

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

As of June 30, 2017, 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	$ 1,443,542
CalPERS	717,752
Total Net Pension Liability	$ 2,161,294

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2016 and June 30,2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0019%	0.0012%	0.0031%	0.0038%
Proportion June 30, 2017	0.0018%	0.0013%	0.0031%	0.0036%
Change in Proportion	-0.0001%	0.0001%	-0.0000%	-0.0002%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 153,110	$ 151,484	$ 304,594
Contributions - State On Behalf Payments	54,165	-	54,165
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resouces for:			
Contributions - Employer made subsequent to measurement date	2,384	(15,268)	(12,884)
Difference Between Actual & Expected Experience	(140)	(2,927)	(3,067)
Change in Assumptions	-	(9,358)	(9,358)
Change in Proportionate Shares	46,729	23,143	69,872
Net Difference Between Projected & Actual Earnings	(167)	(131,051)	(131,218)
Total Pension Expense	$ 256,081	$ 16,023	$ 272,104

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 96,414	$ 68,059	$ 164,473
Differences between actual and expected experience	-	37,745	37,745
Changes in assumptions	-	-	-
Change in employer's proportion share	-	-	-
Net difference between projected and actual earnings	417	186,020	186,437
Total Deferred Outflows of Resources	$ 96,831	$ 291,824	$ 388,655

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ -	$ -	$ -
Differences between actual and expected experience	(502)	-	(502)
Changes in assumptions	-	(28,075)	(28,075)
Change in employer's proportionate share	(144,147)	(28,449)	(172,596)
Net difference between projected and actual earnings	-	(76,068)	(76,068)
Total Deferred Inflows of Resouces	$ (144,649)	$ (132,592)	$ (277,241)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2018	$ 96,534	$ 131,989	$ (42,315)	$ (54,836)	$ 131,372
2019	120	63,930	(42,314)	(54,836)	(33,100)
2020	121	63,930	(42,240)	(16,804)	5,007
2021	56	31,975	(17,780)	(6,116)	8,135
Total	$ 96,831	$ 291,824	$ (144,649)	$ (132,592)	$ 111,414

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2015		June 30, 2015	
Measurement Date	June 30, 2016		June 30, 2016	
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS			
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.60%	(2)	7.65%	(2)
Mortality	.013%-0.435%	(3)	0.00125-0.45905	(3)

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

d. 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 discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan**.** The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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

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

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

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables 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	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS

Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

e. 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	$ 2,077,587	$ 1,070,889
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 1,443,542	$ 717,752
1% Increase	8.60%	8.65%
Net Pension Liability	$ 916,947	$ 423,695

f. 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, 2016 (Previously Reported)	$ 8,076,947	$ 5,978,628	$ 2,098,319	$ 807,887	$ 1,290,432
Changes for the year:					
Change in Proportionate share	(82,877)	(61,346)	(21,531)	67,324	(88,855)
Service Cost	181,199	-	181,199	76,362	104,837
Interest	596,348	-	596,348	251,316	345,032
Differences between expected and actual experience	(37,295)	-	(37,295)	(15,717)	(21,578)
Contributions:					
Employer	-	104,609	(104,609)	(44,085)	(60,524)
Employee	-	91,231	(91,231)	(38,447)	(52,784)
State On Behalf Payments	-	59,842	(59,842)	(25,219)	(34,623)
Net Investment Income	-	71,103	(71,103)	(29,964)	(41,139)
Other Income	-	1,281	(1,281)	(540)	(741)
Benefit Payments, including refunds of employee contributions	(405,603)	(405,603)	-	-	-
Administrative expenses	-	(5,554)	5,554	2,341	3,213
Other Expenses	-	(470)	470	198	272
Net Changes	251,772	(144,907)	396,679	243,569	153,110
Balance at June 30, 2017	$ 8,328,719	$ 5,833,721	$ 2,494,998	$ 1,051,456	$ 1,443,542

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	$ 2,752,610	$ 2,186,342	$ 566,268
Changes for the year:			
Adjustment for Change in Proportionate Share	(148,683)	(118,096)	(30,587)
Service Cost	62,387	-	62,387
Interest	197,769	-	197,769
Differences between expected and actual experience	14,540	-	14,540
Changes in Assumptions	-	-	-
Contributions - Employer	-	52,137	(52,137)
Contributions - Employee	-	30,932	(30,932)
Net Plan to Plan Resource Movement	-	-	-
Net Investment Income	-	10,812	(10,812)
Benefit Payments, including refunds of employee contributions	(128,898)	(128,898)	-
Administrative expenses	-	(1,256)	1,256
Net Changes	(2,885)	(154,369)	151,484
Balance at June 30, 2017	$ 2,749,725	$ 2,031,973	$ 717,752

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 2016-17, the District contributed $31,202 for health care benefits which represented 39.6% of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the 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		(31,202)
Increase in net OPEB obligation		47,563
Net OPEB obligation, beginning of year		188,802
Net OPEB obligation, end of year	$	236,365

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2016 and 2017 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2015	$67,519	29.6%	$137,556
2016	$78,765	34.9%	$188,802
2017	$78,765	39.6%	$236,365

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, 2017 of 30 years.

O. Risk Management

The District is exposed to risk of losses due to:

a. Torts,
b. Theft of, damage to, or destruction of assets,
c. Business interruption,
d. Errors or omissions,
e. Job related illnesses or injuries to employees,
f. Natural disasters,
g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any loses resulting from the risks identified above.

P. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Q. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreement (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the Fringe Benefit Consortium (FBC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPAs arrange for and provide for various types of insurances for its member districts as requested. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, 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 JPAs.

Combined condensed unaudited financial information of the District's share of the SDCSRM for the year ended June 30, 2017 is as follows:

	Workers Compensation	Property & Liability	Miscellaneous Property	Total SDCSRM
Total Assets	$ (25,912)	$ (19,785)	$ N/A	$ (45,697)
Total Liabilities	-	-	N/A	-
Total Net Position	$ (25,912)	$ (19,785)	$ N/A	$ (45,697)
Total Cash Receipts	$ 5,736	$ (194)	$ N/A	$ 5,542
Total Cash Disbursements	-	976	N/A	976
Change in Net Position	$ 5,736	$ (1,170)	$ N/A	$ 4,566

N/A - The District does not partcipate in the Miscellaneous Property Fund with SDCSRM.

The District had a deficit in their Workers Compensation and Property & Liability funds with the SDCSRM as of year end. The District is currently negotiating an arrangement with the FBC to repay the deficit. As of June 30, 2017 terms of repayment have not yet been agreed upon.

Combined condensed unaudited financial information of the District's share of the FBC for the year ended June 30, 2017 is as follows:

	Dental	Health & Welfare	Vision	Total FBC
Total Assets	$ 6,198	$ N/A	$ N/A	$ 6,198
Total Liabilities	4,144	N/A	N/A	4,144
Total Net Position	$ 2,054	$ N/A	$ N/A	$ 2,054
Total Cash Receipts	$ 16,997	$ N/A	$ N/A	$ 16,997
Total Cash Disbursements	8,854	N/A	N/A	8,854
Change in Net Position	$ 8,143	$ N/A	$ N/A	$ 8,143

N/A - The District does not partcipate in the Health & Welfare and Vision Fund with the FBC.

R. Components of Ending Fund Balance

As of June 30, 2017 components of ending fund balance consisted of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances			
Revolving Cash	$ 2,707	$ -	$ 2,707
Restricted Fund Balances			
Educational Programs	31,216	1,181	32,397
Child Nutrition Program	-	10,590	10,590
Assigned Fund Balances			
Deferred Maintenance	-	1,715	1,715
Debt Service	-	109,464	109,464
Educational Programs	1,532,669	128,629	1,661,298
Capital Projects	-	260,413	260,413
Post Employment Benefits	68,678	-	68,678
Unassigned Fund Balances			
For Economic Uncertainty	1,000,000	-	1,000,000
Other Unassigned	(181,335)	-	-
Total Fund Balance	$ 2,453,935	$ 511,992	$ 2,965,927

S. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

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

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

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

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and “negative” goodwill.

3. Classifying real estate held by insurance entities.

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost..

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB.

9. Simplifying certain aspects of the alternative measurement method for OPEB.

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

<u>GASB Statement No. 86 - Certain Debt Extinguishment Issues</u>

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt**.** This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an insubstance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,229,469	$ 1,242,633	$ 1,242,633	$ -
Education Protection Account Funds	224,948	222,736	222,736	-
Local Sources	109,425	183,489	183,489	-
Federal Revenue	392,737	386,107	386,107	-
Other State Revenue	167,259	236,346	236,346	-
Other Local Revenue	1,715,443	2,771,767	2,771,767	-
Total Revenues	3,839,281	5,043,078	5,043,078	-
Expenditures:				
Current:				
Certificated Salaries	938,074	863,256	863,256	-
Classified Salaries	524,782	505,287	505,287	-
Employee Benefits	512,436	536,163	536,163	-
Books And Supplies	122,502	80,242	80,242	-
Services And Other Operating Expenditures	1,400,427	1,728,932	1,728,932	-
Capital Outlay	50,428	312,427	312,427	-
Total Expenditures	3,548,649	4,026,307	4,026,307	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	290,632	1,016,771	1,016,771	-
Other Financing Sources (Uses):				
Transfers In	-	109,233	109,233	-
Transfers Out	(321,951)	(1,064,850)	(1,064,850)	-
Total Other Financing Sources (Uses)	(321,951)	(955,617)	(955,617)	-
Net Change in Fund Balance	(31,319)	61,154	61,154	-
Fund Balance, July 1	408,975	408,975	408,975	-
Fund Balance, June 30	$ 377,656	$ 470,129	$ 470,129	$ -

The accompanying notes to required supplementary information are an integral part of this schedule.

DEHESA SCHOOL DISTRICT

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

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%

DEHESA SCHOOL DISTRICT

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0018%	0.0019%	0.0021%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 1,443,542	$ 1,290,433	$ 1,238,358	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	$ 1,051,456	$ 807,887	$ 818,116	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	$ 2,494,998	$ 2,098,320	$ 2,056,474	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 766,407	$ 886,738	$ 885,767	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	188.35%	145.53%	139.81%	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	70.04%	74.02%	76.52%	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.

See Accompanying Notes to Required Supplementary Information.

EXHIBIT B-4

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 96,414	$ 95,147	$ 78,656	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(96,414)	(95,147)	(78,656)	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
District's covered-employee payroll	$ 766,407	$ 886,738	$ 885,767	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	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.

See Accompanying Notes to Required Supplementray Information.

EXHIBIT B-5

DEHESA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0036%	0.0038%	0.0039%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 717,752	$ 566,268	$ 442,757	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 490,056	$ 440,086	$ 427,220	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	146.46%	128.67%	103.64%	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	73.90%	79.43%	83.38%	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.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-6

DEHESA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 68,059	$ 52,137	$ 50,288	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(68,059)	(52,137)	(50,288)	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
District's covered-employee payroll	$ 490,056	$ 440,086	$ 427,220	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	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.

See Accompanying Notes to Required Supplementray Information.

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	$	2,453,935
Less Fund 20 Fund Balance		(68,678)
Less Fund 17 Fund Balance		(1,915,128)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	470,129

General Fund - Fund Financial Statements Net Change in Fund Balance	$	989,974
Change in Fund Balance attributed to Fund 20		(698)
Change in Fund Balance attributed to Fund 17		(928,122)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	61,154

Schedule of District's Proportionate Share - California State Teachers Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expenses.

Schedule of District's Contributions - California Public EmployeesRetirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016**.** The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

Combining Statements 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, 2017

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 134,538	$ 109,464	$ 259,505	$ 503,507
Cash on Hand and in Banks	2,779	-	-	2,779
Accounts Receivable	35,560	-	908	36,468
Due from Other Funds	2,899	-	-	2,899
Total Assets	175,776	109,464	260,413	545,653
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 2,658	$ -	$ -	$ 2,658
Due to Other Funds	31,003	-	-	31,003
Total Liabilities	33,661	-	-	33,661
Fund Balance:				
Restricted Fund Balances	11,771	-	-	11,771
Assigned Fund Balances	130,344	109,464	260,413	500,221
Total Fund Balance	142,115	109,464	260,413	511,992
Total Liabilities and Fund Balances	$ 175,776	$ 109,464	$ 260,413	$ 545,653

DEHESA SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 43,516	$ -	$ -	$ 43,516
Other State Revenue	3,702	2,078	-	5,780
Other Local Revenue	50,827	184,860	19,590	255,277
Total Revenues	98,045	186,938	19,590	304,573
Expenditures:				
Current:				
Pupil Services	135,000	-	-	135,000
Plant Services	1,116	-	17,053	18,169
Capital Outlay	100,000	-	296,704	396,704
Debt Service:				
Interest	-	199,863	-	199,863
Total Expenditures	236,116	199,863	313,757	749,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,071)	(12,925)	(294,167)	(445,163)
Other Financing Sources (Uses):				
Transfers In	45,921	-	-	45,921
Transfers Out	(12,618)	-	-	(12,618)
Total Other Financing Sources (Uses)	33,303	-	-	33,303
Net Change in Fund Balance	(104,768)	(12,925)	(294,167)	(411,860)
Fund Balance, July 1	246,883	122,389	554,580	923,852
Fund Balance, June 30	$ 142,115	$ 109,464	$ 260,413	$ 511,992

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Charter School Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 129,424	$ 1,654
Cash on Hand and in Banks	-	1,928
Accounts Receivable	386	11,582
Due from Other Funds	-	2,899
Total Assets	129,810	18,063
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ 587
Due to Other Funds	-	17,476
Total Liabilities	-	18,063
Fund Balance:		
Restricted Fund Balances	1,181	-
Assigned Fund Balances	128,629	-
Total Fund Balance	129,810	-
Total Liabilities and Fund Balances	$ 129,810	$ 18,063

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 2,044	$ 1,416	$ 134,538
851	-	2,779
23,293	299	35,560
-	-	2,899
26,188	1,715	175,776
$ 2,071	$ -	$ 2,658
13,527	-	31,003
15,598	-	33,661
10,590	-	11,771
-	1,715	130,344
10,590	1,715	142,115
$ 26,188	$ 1,715	$ 175,776

DEHESA SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Charter School Fund	Child Development Fund
Revenues:		
Federal Revenue	$ -	$ -
Other State Revenue	-	-
Other Local Revenue	1,320	28,130
Total Revenues	1,320	28,130
Expenditures:		
Current:		
Pupil Services	-	49,907
Plant Services	-	-
Capital Outlay	-	-
Total Expenditures	-	49,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,320	(21,777)
Other Financing Sources (Uses):		
Transfers In	-	21,777
Transfers Out	-	-
Total Other Financing Sources (Uses)	-	21,777
Net Change in Fund Balance	1,320	-
Fund Balance, July 1	128,490	-
Fund Balance, June 30	$ 129,810	$ -

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 43,516	$ -	$ 43,516
3,702	-	3,702
20,349	1,028	50,827
67,567	1,028	98,045
85,093	-	135,000
-	1,116	1,116
-	100,000	100,000
85,093	101,116	236,116
(17,526)	(100,088)	(138,071)
24,144	-	45,921
(12,618)	-	(12,618)
11,526	-	33,303
(6,000)	(100,088)	(104,768)
16,590	101,803	246,883
$ 10,590	$ 1,715	$ 142,115

DEHESA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 239,753	$ 12,224	$ 7,528	$ 259,505
Accounts Receivable	840	46	22	908
Total Assets	240,593	12,270	7,550	260,413
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	-	-	-	-
Fund Balance:				
Assigned Fund Balances	$ 240,593	$ 12,270	$ 7,550	$ 260,413
Total Fund Balance	240,593	12,270	7,550	260,413
Total Liabilities and Fund Balances	$ 240,593	$ 12,270	$ 7,550	$ 260,413

DEHESA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	$ 3,230	$ 16,283	$ 77	$ 19,590
Total Revenues	3,230	16,283	77	19,590
Expenditures:				
Current:				
Plant Services	13,020	4,033	-	17,053
Capital Outlay	296,704	-	-	296,704
Total Expenditures	309,724	4,033	-	313,757
Excess (Deficiency) of Revenues Over (Under) Expenditures	(306,494)	12,250	77	(294,167)
Net Change in Fund Balance	(306,494)	12,250	77	(294,167)
Fund Balance, July 1	547,087	20	7,473	554,580
Fund Balance, June 30	$ 240,593	$ 12,270	$ 7,550	$ 260,413

Other Supplementary Information

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

Supplementary Information Section

DEHESA SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2017

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
Karl Becker	Vice President	Four Year Term Expires November 2018
Christina Becker	Clerk	Four Year Term Expires November 2018
Mark Xacovic	Member	Four Year Term Expires November 2020
Vincent Blanco	Member	One Year Term Expires November 2018

Administration

Nancy Hauer
Superintendent

Heather Griffiths
Principal

Anna Buxbaum
Business Manager

DEHESA SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	63.02	N/A	61.25	N/A
TK/K-3 Totals	63.02	N/A	61.25	N/A
Grades 4-6:				
Regular ADA	57.61	N/A	56.41	N/A
Grades 4-6 Totals	57.61	N/A	56.41	N/A
Grades 7 and 8:				
Regular ADA	23.8	N/A	24.18	N/A
Grades 7 and 8 Totals	23.8	N/A	24.18	N/A
ADA Totals	144.43	N/A	141.84	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.

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	57,405	181	-	Complied
Grade 1	50,400	53,785	181	-	Complied
Grade 2	50,400	53,785	181	-	Complied
Grade 3	50,400	53,785	181	-	Complied
Grade 4	54,000	54,205	181	-	Complied
Grade 5	54,000	54,205	181	-	Complied
Grade 6	54,000	57,405	181	-	Complied
Grade 7	54,000	57,405	181	-	Complied
Grade 8	54,000	57,405	181	-	Complied

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

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

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2017

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	$ 3,199,872	$ 5,152,311	$ 4,050,596	$ 3,357,995
Expenditures, other uses and transfers out	2,854,578	5,091,157	4,099,157	3,442,223
Change in fund balance (deficit)	345,294	61,154	(48,561)	(84,228)
Ending fund balance	$ 815,423	$ 470,129	$ 408,975	$ 457,536
Available reserves (See Note 2)	$ 784,206	$ 436,205	$ 315,944	$ 292,579
Available reserves as a percentage of total outgo (see Note 3)	27.5%	8.6%	7.4%	8.5%
Total long-term debt	$ 7,381,850	$ 7,414,822	$ 7,060,289	$ 6,732,340
Average daily attendance at P-2	143	144	174	171

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 $71,635 over the past three years. The fiscal year 2016-17 budget projects a increase of $345,294. 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 $682,482 over the past two years.

Average daily attendance (ADA) has decreased by 27 over the past two years.

Notes:
1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
3 On behalf payments of $54,165, $66,913, and $51,159, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.
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.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund (17)	Special Reserve Fund (20)
June 30, 2017 annual financial and budget report fund balances	$ 470,129	$ 1,915,128	$ 68,678
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB 54 required inclusion with general fund	1,983,806	(1,915,128)	(68,678)
Net adjustments and reclassifications	1,983,806	(1,915,128)	(68,678)
June 30, 2017, audited financial statement fund balances	$ 2,453,935	$ -	$ -

	Schedule of Long-Term Debt
June 30, 2017, annual financial and budget report total liabilities	$ 8,025,255
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net pension liability overstatement	(584,839)
Accreted interest understatement	2,076
Compensated absences overstatement	(27,670)
Net adjustments and reclassifications	(610,433)
June 30, 2017, audited financial statement total liabilities	$ 7,414,822

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, 2017

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
Valiant Charter School	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, 2017, 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 15, 2017.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Emeryville Office
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Tel. (619) 510-588-8729 Fax (619) 447-6707

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 15, 2017

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 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 *2016-17 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, 2017.

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, *2016-17 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, *2016-17 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.

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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
Mental Health Expenditures	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, 2017.

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 *2016-17 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 15, 2017

Findings and Recommendations Section

DEHESA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	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 the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	____	Yes	X	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

DEHESA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Financial Statement Findings

None

A. Federal Award Findings and Questioned Costs

Not Applicable

C. State Award Findings and Questioned Costs

None

DEHESA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Current Status	Management's Explanatio If Not Implemented
Finding 2016-001 (40000) Unduplicated Pupil Counts		
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.		
Implement a process to ensure that infoirmation repored in Cal PADS is based on current year information rather than prior year information.	Implemented	