

**DEHESA SCHOOL DISTRICT  
PROPOSITION M AND D BUILDING FUND (21)  
GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2017

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**TABLE OF CONTENTS**

<b><u>INTRODUCTION</u></b>	<b><u>1</u></b>
Introduction and Citizens' Oversight Committee Member Listing .....	1
Independent Auditor's Report.....	2
Management Discussion and Analysis .....	5
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>8</u></b>
Balance Sheet.....	8
Statement of Revenues, Expenditures and Changes in Fund Balance .....	9
Notes to the Financial Statements .....	10
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>23</u></b>
General Obligation Bonds Issuance.....	23
<b><u>OTHER INDEPENDENT AUDITORS' REPORTS</u></b>	<b><u>24</u></b>
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 <i>Government Auditing Standards</i> .....	24
Independent Auditor's Report on Performance .....	26
<b><u>AUDITOR'S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>29</u></b>
Schedule of Findings and Responses .....	29
Schedule of Prior Year Audit Findings.....	30

## Introduction

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2017

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On November 2, 2010 the Dehesa School District was successful under Proposition M in obtaining District voters to issue up to \$5,500,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. On November 6, 2012 the Dehesa School District was successful under Proposition D in obtaining re-authorization from District voters to issue up to \$3,000,000 in general obligation bonds previously approved in November 2010 pursuant to a 55% vote in a bond election. Based on the re-authorization, ultimately \$3,000,000 will be canceled from corresponding amount from Proposition M as Proposition D bonds are sold. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual independent financial audit of the proceeds from the sale of the bonds until all the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Dehesa School District Proposition M and D Citizens' Bond Oversight Committee as of June 30, 2017 was comprised of the following members:

Name	Position
Nathan Voth	Parent Representative Community-at-Large
Wally Riggs	Senior Representative Community-at-Large
Herb Krickhahn	Senior Representative Community-at-Large
Michael Hunsucker	Taxpayer Organization Representative
Chuck Huskey	Senior Representative Community-at-Large
Gerry Hamilton	Parent/PTO Representative
Vincent Blanco	Local Business Representative



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

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

## Independent Auditor's Report

**Governing Board Members and  
Citizens' Oversight Committee  
Dehesa School District  
El Cajon, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Proposition M and D Building Fund (21) of Dehesa School District, which comprise the balance sheet as of June 30, 2017, and the related statement of revenue, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

### **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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Emphasis of Matter**

As discussed in Note B, the financial statements present only the Building Fund (21) which is specific to Proposition M and D and are not intended to present fairly the financial position and results of operations of Dehesa School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition M and D Building Fund (21) of Dehesa School District as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 inquiring of management about the methods of preparing the information and comparing the information with 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 an opinion on the financial statements. The accompanying supplementary information, as required by 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* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, 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.

### **Report on Other Legal Regulatory Requirements**

In accordance with the requirement of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 30, 2018 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition M and D Building Fund (21). That report is an integral part of our audit of the District's Proposition M and D Building Fund (21) for the fiscal year ended June 30, 2017 and should be considered in assessing the results of our financial audit.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
March 30, 2018

**DEHESA SCHOOL DISTRICT  
PROPOSITION M AND D BUILDING FUND (21)**

Management Discussion and Analysis

June 30, 2017

(Unaudited)

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This section of Dehesa School District's Proposition M and D Building Fund annual financial and performance report presents our discussion and analysis of the Proposition M and D bond program during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Proposition M and D General Obligation Bond financial statements and performance audit, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

- The fund balance for the Proposition M and D Building Fund amounted to \$240,592.00 as of June 30, 2017.
- Revenues combined with the beginning fund balance were \$550,316.00 during the year ended June 30, 2017, total expenditures and outgo were \$309,724.00.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the Proposition M and D Building Fund financial statements, and the performance audit as required by state law.

The District accounts for Proposition M and D bond activity in the District's Building Fund, which is a governmental fund type. It is accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

**FINANCIAL ANALYSIS OF THE PROPOSITION M AND D BUILDING FUND**

**Balance Sheet**

The District's Proposition M and D Building Fund balance as of June 30, 2017 was \$240,592. The \$239,752 in the Cash in County Treasury account represents cash held in the San Diego County Treasurer's Investment Pool for purposes associated only with the bond authorization approved by the voters. It has been determined that Proposition M and D funds cannot be used for Routine Restricted Maintenance expenditures in the General Fund.



**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Management Discussion and Analysis  
June 30, 2017  
(Unaudited)

	<b>2015-16</b>	<b>2016-17</b>	<b>% Change</b>
Cash In County Treasury	336,020	239,752	(29%)
Accounts Receivable	99,744	840	(99%)
Due From Other Funds	145,900	0	(100%)
<b>Total Assets</b>	<b>581,664</b>	<b>240,592</b>	<b>(59%)</b>
Accounts Payable	20,403	0	(100%)
Due To Other Funds	14,174	0	(100%)
<b>Total Liabilities</b>	<b>34,577</b>	<b>0</b>	<b>(100%)</b>
<b>Total Fund Balance</b>	<b>547,087</b>	<b>240,592</b>	<b>(56%)</b>

### **Fund Balance (or Changes in Fund Balance)**

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of \$309,742 represent only Proposition M and D authorized expenditures.

	<b>2015-16</b>	<b>2016-17</b>	<b>% Change</b>
<b>Revenues</b>			
Interest Income	9,141	3,229	(65%)
<b>Total Revenues</b>	<b>9,141</b>	<b>3,229</b>	<b>(65%)</b>
<b>Expenditures</b>			
Services and Other Operating Expenses	28,472	13,020	(54%)
Capital Outlay:			
Building and Building Improvements	2,196,292	281,527	(87%)
Architect Fees	2,567	0	(100%)
Construction Services	77,198	0	(100%)
Soils Testing	41,223	0	(100%)
Bond Administration Fees	0	0	0
Equipment and Furniture	95,989	15,177	(84%)
<b>Total Expenditures</b>	<b>2,441,741</b>	<b>309,742</b>	<b>(87%)</b>
<b>Net Change In Fund Balance</b>	<b>(2,432,600)</b>	<b>(306,495)</b>	<b>(87%)</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,979,687</b>	<b>547,087</b>	<b>(82%)</b>
<b>Fund Balance, End of Year</b>	<b>547,087</b>	<b>240,592</b>	<b>(56%)</b>

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Management Discussion and Analysis  
June 30, 2017  
(Unaudited)

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**LONG-TERM DEBT COMPARISON**

At the end of the year, Dehesa School District had \$5,001,627 in long-term debt outstanding related to the Proposition 39 General Obligation Bonds for Proposition M and D.

	2015-16	2016-17	% Change
<b>General Obligation Bonds Payable</b>			
Due within one year	0	17,436	100%
Due in more than one year	4,646,789	4,984,191	7%
<b>Total GO Bonds Payable</b>	<b>4,646,789</b>	<b>5,001,627</b>	<b>7%</b>

**FACTORS BEARING ON THE DISTRICTS FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future.

- Possible increases in building costs during construction

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's Proposition M and D Building Fund Bond finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Anna Buxbaum, Business Manager, Dehesa School District.

## Financial Statements

**DEHESA SCHOOL DISTRICT  
PROPOSITION M AND D BUILDING FUND (21)**

Balance Sheet  
June 30, 2017

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**ASSETS**

**Current Assets**

Cash in county treasury	\$ 239,752
Accounts receivable	<u>840</u>
<b>Total Current Assets</b>	<u><u>240,592</u></u>

<b>TOTAL ASSETS</b>	<u><u>240,592</u></u>
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**LIABILITIES AND FUND BALANCE**

<b>Total Liabilities</b>	<u>-</u>
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**Fund Balance**

Restricted for capital projects	<u>240,592</u>
<b>Total Fund Balance</b>	<u><u>240,592</u></u>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 240,592</u></u>
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The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2017

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**REVENUES**

Interest	\$ 3,229
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<b>TOTAL REVENUES</b>	<u>3,229</u>
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**EXPENDITURES**

Services and other operating expenditures	13,020
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Capital outlay:

Building and building improvements	281,527
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Equipment	<u>15,177</u>
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<b>TOTAL EXPENDITURES</b>	<u>309,724</u>
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<b>NET CHANGE IN FUND BALANCE</b>	(306,495)
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>547,087</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 240,592</u></u>
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The accompanying notes are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements  
Year Ended June 30, 2017

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**A. Definition of the Fund**

The Building Fund (21) was formed to account for construction as well as renovation of the current schools for Dehesa School District (District), through expenditures of general obligation bonds issued under Proposition M General Obligation Bonds Election of 2010 and Proposition D re-authorization General Obligation Bonds of 2012.

**B. Summary of Significant Accounting Policies**

*Basis of Presentation*

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

*Fund Structure*

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition M and D defined in Note A and are not intended to present fairly the financial position and results of operations of Dehesa School District in conformity with accounting principles generally accepted in the United States of America.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's Building Fund (21) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received, or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

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*Budgets and Budgetary Accounting*

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

*Encumbrances*

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash in County Treasury*

In accordance with Education Code §41001, the District maintains a substantial amount of 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. 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 §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.

*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.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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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.

*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 inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2017 the District’s Proposition M and D Building Fund (21) did not have any Deferred Inflows or Deferred Outflows of Resources.

*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.



**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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*Change in Accounting Policies*

The District has adopted accounting principles 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.

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 inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2017 the District's Building Fund (21) did not have any Deferred Inflows or Deferred Outflows of Resources.

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:

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 Building Fund (21) did not have any OPEB expenses and as a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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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.

The 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, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes being abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of the 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 Pension Plans, 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.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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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 Building Fund (21) did not have any salaries and as a result, the adoption of GASB Statement No. 82 did not result in a change to the financial statements or note disclosures.

**C. Cash and Investments**

*Cash in County Treasury*

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2017, the portion of cash in county treasury attributed to Proposition M and D Building Fund (21) was \$239,752. The fair value of Building Fund's portion of this pool as of that date, as provided by the pool sponsor, was \$239,752. 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.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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*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 their 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. At year end, the District's Building Fund (21) 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. At year end, the District's Building Fund (21) 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's Building Fund (21) was not exposed to concentration of credit risk.

*d. Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

*e. Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Building Fund (21) was not exposed to foreign currency risk.

*f. 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 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.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2017

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 deposits are examples of nonparticipating interest-earning investment contracts.

*g. General Authorizations*

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

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

**D. Accounts Receivable**

As of June 30, 2017 accounts receivable consisted of:

Interest	\$ 840
Total Accounts Receivable	<u>\$ 840</u>

Accounts receivable are expected to be collected within one year, as a result no allowance for doubtful accounts has been established.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

**E. General Obligation Bonds**

In July 2012, The District issued \$2,499,852, Election of 2010, Series A, General Obligation Bonds in order to improve student access to computers and modern technology; replace portable classrooms and construct new classrooms; build a new science lab and library and other educational facilities. The issue consisted of \$190,000 of current interest Serial Bonds, \$2,225,000 of current interest Term Bonds, and \$84,852 of Capital Appreciation Bonds. The bonds have interest rates ranging from 3.00% to 8.41%. Principal payments are made August 1 of each year beginning August 1, 2013 while interest payments are made semi-annually on February 12 and August 1 of each year. The Bonds mature August 1, 2043. The Bonds were sold at a premium. At June 30, 2017 the balance owing on the 2010 Series A General Obligation Bonds was \$2,645,593.

In May 2014, the District issued \$2,170,992, Election of 2012, Series A, General Obligation Bonds (GO Reauthorization Bonds) in order to increase student computer technology access; repair, equip and construct classrooms, build a new science lab and library and other educational facilities; and reduce borrowing costs. The issue consisted of \$1,775,000 of current interest Serial Bonds and \$395,992 of Capital Appreciation Bonds. The bonds have interest rates ranging from 1.46 to 5.50%. Principal payments are made August 1 of each year beginning August 1, 2017 while interest payments are made semi-annually on February 1 and August 1 of each year. The Bonds mature August 1, 2044. The Bonds were sold at a premium. At June 30, 2017 the balance owing on the 2012 Series A General Obligation Bonds was \$2,356,034.

General Obligation (GO) Bonds at June 30, 2017 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2010 Election Series A	7/12/2012	3.00-8.41%	8/1/2043	\$ 2,499,852
2012 Election Series A	5/20/2014	1.46-5.50%	8/1/2044	2,170,992
				<u>\$ 4,670,844</u>

  

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
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	7,212
Total 2010-A Bonds	<u>2,643,070</u>	<u>9,735</u>	<u>7,212</u>	<u>2,645,593</u>	<u>7,212</u>
2012 Election Series A					
Principal balance	2,170,992	-	-	2,170,992	4,775
Accreted interest	27,457	17,213	-	44,670	5,224
Bond premium	145,596	-	5,224	140,372	225
Total 2012-A Bonds	<u>2,344,045</u>	<u>17,213</u>	<u>5,224</u>	<u>2,356,034</u>	<u>10,224</u>
Total GO Bonds	<u>\$ 4,987,115</u>	<u>\$ 26,948</u>	<u>\$ 12,436</u>	<u>\$ 5,001,627</u>	<u>\$ 17,436</u>

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2017 is as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest	Total
2018	\$ 4,775	\$ 195,362	\$ 225	\$ 200,362
2019	24,263	195,063	737	220,063
2020	23,942	193,963	1,058	218,963
2021	32,848	193,763	2,152	228,763
2022	41,286	192,863	3,714	237,863
2023-2027	357,470	941,338	52,530	1,351,338
2028-2032	579,567	882,450	150,433	1,612,450
2033-2037	673,841	807,538	461,311	1,942,690
2038-2042	1,632,852	564,250	102,148	2,299,250
2043-2047	1,220,000	86,223	-	1,306,223
Total	<u>\$ 4,590,844</u>	<u>\$ 4,252,813</u>	<u>\$ 774,308</u>	<u>\$ 9,617,965</u>

Note: Amounts represented in the repayment schedule of accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have been accrued as of June 30, 2017.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district inputs the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

**F. 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 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	<u>\$ 2,851,522</u>	<u>\$ 2,502,981</u>
Par Amounts of Bond	\$ 2,499,582	\$ 2,170,992
Periods	30	30
Effective Interest Rate	3.80%	3.84%

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

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**G. 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 OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to 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.



**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

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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 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.

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2017

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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.

**GASB Statement No. 86 - Certain Debt Extinguishment Issues**

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 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 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 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 in-substance 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.

## Supplementary Information

**DEHESA SCHOOL DISTRICT**  
**PROPOSITION M AND D BUILDING FUND (21)**  
General Obligation Bonds Issuance  
Year Ended June 30, 2017

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**Authority for Issuance**

The Bonds are issued pursuant to the provisions and requirements of Article 2 of Chapter 1.5 of Part 5 of Division 1 of Title I of the California Education Code 15265 et seq., and pursuant to Education Code Section 35160 and other applicable law, and pursuant to a resolution adopted by the board of Trustees of the District on January 22, 2009 (the “District Resolution”) and a resolution adopted by the Board of Supervisors of the County on February 10, 2009 (the “Bond Resolution” and together with the District Resolution, the “Resolution”).

The District received authorization at an election held on November 2, 2010, by an affirmative vote of 58.5 percent of the votes cast by eligible voters within the District (the “Authorization”) under Proposition M to issue and not exceed \$5,500,000 of General Obligation Bonds. 2010 Election Series A (the “Series A Bonds”) were issued pursuant to the resolution in the amount of \$2,499,852 in July 2012. The Bonds represent the first series of Bonds sold under the Authorization.

The District received re-authorization at an election held on November 6, 2012, by an affirmative vote of 55.9 percent of the votes cast by eligible voters within the District (the “Re-Authorization”) under Proposition D to re-authorize and issue and not to exceed \$3,000,000 of General Obligation Reauthorization Bonds. 2012 Election Series A (the “Series A Bonds”) were issued pursuant to the resolution in the amount of \$2,170,992 in May 2014. The bonds represent the first series of bonds sold under the re-authorization.

**Purpose of Issue**

Pursuant to the Authorization, the proceeds of the Bonds will be used to improve student access to computers and modern technology; replace portable classrooms and construct new classrooms; build a new science lab and library and other educational facilities; increase student computer technology access; repair, equip and construct classrooms; and reduce overall borrowing costs.

## Other Independent Auditors' Reports

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

**Governing Board Members and  
Citizens' Oversight Committee  
Dehesa School District  
El Cajon, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Proposition M and D Building Fund (21) of Dehesa School District (a nonprofit organization), which comprise the balance sheet as of June 30, 2017, and the related statements of revenues, expenditures, and changes in fund balance, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control Over Financial Reporting**

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

**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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
March 30, 2018

## Independent Auditor's Report on Performance

**Governing Board Members and  
Citizens' Oversight Committee  
Dehesa School District  
El Cajon, California**

### **Report on State Compliance**

We were engaged to conduct a performance audit of the Proposition M and D Building Fund (21) of Dehesa School District for the year ended June 30, 2017.

### **Management's Responsibility for Performance Compliance**

Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

### **Auditor's Responsibility**

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of Dehesa School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition M and D General Obligation Bond for the fiscal year ended June 30, 2017. The objective of the audit of compliance applicable to Dehesa School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition M and D Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:



## **Internal Control Evaluation**

### Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition M and D resources.
- Prevent material misstatement in the Proposition M and D Building Fund (21) financial statements.
- Ensure all expenditures are properly allocated.
- Ensure adequate separation of duties exists in the accounting of Proposition M and D funds.

All purchase requisitions and expenditures are reviewed for proper supporting documentation. The Project Manager/Consultant submits supporting documentation to the Superintendent to initiate a contract for services and/or a purchase requisition. Purchase Orders are generated by the Administrative Secretary and routed to the Business Manager for approval. The Business Manager verifies that the requested purchase is within the scope and parameters of the approved budget and that all expenditures are properly recorded by project expense and category. When the invoice is received, the Project Manager/Consultant verifies that the services have been satisfactorily rendered and that charges are consistent with the amounts approved in the contract/purchase order. The invoice is approved by the Project Manager/Consultant and then routed to the Business Manager to process for payment through the District's accounts payable system. The payment request and supporting documentation is provided to the San Diego County Office of Education for audit review and compliance procedures.

### Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

## **Tests of Expenditures**

### Procedures Performed

We tested expenditures to determine whether Proposition M and D funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Proposition M and D ballot measures. Our testing included a sample of vendors totaling approximately \$291,336 or approximately 95% of total expenditures for the year.

### Results of Procedures Performed

We found no instances where expenditures tested were not in compliance with the terms of the Proposition M and D ballot measure and applicable state laws and regulations.

## **Tests of Contracts and Bid Procedures**

### Procedures Performed

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

### Results of Procedures Performed

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

### **Facilities Site Review**

#### Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Proposition M and D designated projects and determined the Proposition M and D funds expended for the year ended June 30, 2017 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

#### Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Proposition M and D designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

### **Citizens' Oversight Committee**

#### Procedures Performed

We have reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code sections 15278 through 15282.

#### Results of Procedures Performed

We have determined the Dehesa School District's Proposition M and D Building Fund (21) Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

### **Opinion on Performance**

In our opinion, the District complied, in all material respects, with the compliance requirements of Proposition 39 outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution, and with Proposition M and D approved by the voters in the Dehesa School District on November 2, 2010 and November 6, 2012.

### **Purpose of the Report**

This report is intended solely for the information and use of the District's Governing Board, the Proposition M and D Citizens' Oversight Committee, management, others within the entity, and the taxpayers of Dehesa School District and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
March 30, 2018

## Auditor's Results, Findings & Recommendations

**DEHESA SCHOOL DISTRICT  
PROPOSITION M AND D BUILDING FUND (21)**

Schedule of Findings and Responses  
Year Ended June 30, 2017

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There were no findings to report.

**DEHESA SCHOOL DISTRICT  
PROPOSITION M AND D BUILDING FUND (21)**

Schedule of Prior Year Audit Findings  
Year Ended June 30, 2017

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There were no audit findings noted for the fiscal year ended June 30, 2016.