LAKESIDE UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
LAKESIDE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2016

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

Introductory Section

Lakeside Union School District
Audit Report
For The Year Ended June 30, 2016

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Audit Report
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Financial Section

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

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CPAs AND ADVISORS

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

Independent Auditor's Report

To the Board of Trustees
Lakeside Union School District
Lakeside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lakeside Union School District ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lakeside Union School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2016, Lakeside Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value.* Our opinion is not modified with respect to this matter.

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

As described in Note A to the financial statements, in 2016, Lakeside Union School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeside Union 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 14, 2016 on our consideration of Lakeside Union 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 Lakeside Union School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2016

Lakeside Union School District
Management Discussion and Analysis

Our discussion and analysis of Lakeside Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements which follow this section.

Financial Reports

The audit report consists of a series of financial reports. The Statement of Net Position and Statement of Activities report the District-wide financial condition and activities of the District taken as a whole. These two financial statements are Exhibits A-1 and A-2. The individual fund statements, which focus on reporting the District's operations in more detail start with Exhibit A-3.

District-wide Financial Condition

The Statement of Net Position is a District-wide financial statement that reports all that the District owns (assets) and owes (liabilities). It includes two charter schools that report under the same financial system as the District. The book value of all District assets, including buildings, land, and equipment as well as related depreciation are included in this financial statement. The table below summarizes the value of District net position for the year ended June 30, 2016:

Beginning Net Position	$ (23,537,422)
Change	(5,098,325)
Ending Net Position	$ (28,635,747)

The increase in the District's negative net position is primarily due to recognition of net pension liability required by Governmental Accounting Standards Board (GASB), Statement Number 68.

Comparative financial information as of June 30, from the Statement of Net Position is summarized in the following table:

	Governmental & Business Type Activities	
	June 30, 2016	**June 30, 2015**
Current Assets	$ 18,183,112	$ 17,127,130
Capital Assets	40,451,863	41,820,905
Total Assets	**$ 58,634,975**	**$ 58,948,035**
Deferred Outflows of Resources	**$ 9,359,447**	**$ 9,216,801**
Current and Other Liabilities	$ 2,471,542	$ 1,586,275
Long-term Liabilities	91,669,723	83,871,325
Total Liabilities	**$ 94,141,265**	**$ 85,457,600**
Deferred Inflows of Resources	**$ 2,488,904**	**$ 8,925,217**
Net Investment in Capital Assets	$ (3,820,985)	$ (5,024,267)
Restricted Net Position	(6,278,199)	(10,066,053)
Unrestricted Net Position	(32,318,198)	(32,259,768)
Total Net Position	**$ (29,860,984)**	**$ (27,217,982)**

The Statement of Activities is a District-wide financial statement that reports the District's cost of instruction and other District activities, and the resources that fund individual and general activities of the District. Comparative financial information for the year ended June 30 is presented in the following table:

	June 30, 2016	June 30, 2015
Revenues		
Charges for Services	$ 897,029	$ 1,105,507
Operating Grants and Contributions	12,502,860	11,015,564
Taxes Levied for General Purposes	9,032,980	7,916,167
Taxes Levied for Debt Service	2,577,522	1,225,156
Taxes Levied for Other Specific Purposes	188,367	172,593
Federal and State Aid, Not Restricted	32,406,289	26,252,291
Interest and Investment Earnings	52,289	39,157
Interagency Revenues	805,365	732,625
Miscellaneous	842,332	433,542
Total Revenues	**$ 59,305,033**	**$ 48,892,602**
Expenses		
Government Activities:		
Instruction	$ 40,933,145	$ 32,991,368
Instruction-Related Services	4,212,596	3,945,735
Pupil Services	3,918,557	3,357,214
Ancillary Services	0	7,159
General Administration	4,474,680	3,476,959
Plant Services	4,555,529	4,104,688
Community Services	1,534,382	1,187,908
Interest on Long Term Debt	2,396,521	1,863,647
Other Outgo	0	495,234
Total Government Activities	62,025,410	51,429,912
Business Type Activities:		
Pupil Services	2,242,472	1,955,026
General Administration	111,065	82,935
Plant Services	24,411	21,137
Total Business Type Activities	2,377,948	2,059,098
Total Expenses	**$ 64,403,358**	**$ 53,489,010**

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1 each year. Over the course of the year, the District's budget is revised several times to account for changes in categorical funding and to update budgets for prior-year carryover amounts. The budget is also revised to reflect mid-year changes to the State Budget which affects District funding. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2016:

	Adopted Budget	Year-End Budget	Actual
Total Revenues	48,803,678	52,825,117	52,681,544
Total Expenditures	46,203,680	51,444,510	51,034,443
Total Other Sources/(Uses)	0	3,877,542	3,809,740

The actual net increase to the total revenue budget was $3,877,866 due to several reasons. Average Daily Attendance (ADA) increased by 156 students from projections at budget adoption. Special Education Mental Health funding was appropriated mid-year and additional funding was received for Lottery, Impact Aid, and other state and federal categoricals. Additionally, the budget for prior-year unspent funds (carryover) is appropriated mid-year. These are the primary reasons why there was a difference between the adopted and actual budget. After budget adoption, a total of $3,808,223 was transferred into the General Fund from the following other funds:

- Fund 40 Special Reserves, $3,750,000 for cash flow and accounting transparency
- Fund 14, Deferred Maintenance, $58,181 (closed fund because no longer needed)
- Fund 35, State Schools Facilities, $41.82 (closed fund because no longer needed)

The actual net increase to the total expenditure budget was $4,830,763 as a result of several factors. After budget adoption, salary increases were negotiated for all employees and Non-Management Certificated Staff was given 2% on salary schedule and 3% off schedule. All management was given the same salary increase across the board. Classified staff was given 3% on salary schedule and 2% off schedule. Additional teachers were hired after budget adoption due to increased student enrollment. Budget revisions were made annually as needed to account for changes in categorical funds received. Additionally, prior year expenditure budgets with unspent funds (carryover) were appropriated after the District closed its books at fiscal year-end.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2016:

Total Revenues	52,681,544
Total Expenditures	51,034,443
Other Financing Sources & Uses-	3,809,740
Net Change	5,456,841

Over the years, Lakeside Union School District has maintained a strong and financially responsible budget with a reasonable and appropriate reserve balance. This sound financial condition is a result of the wisdom of the governing board and good fiscal management by staff. This is evident in careful budget management, compliant oversight, and revenue maximization by improving attendance rates and offering programs that increase enrollment. Fiscal year 2016-17 will be another challenging year for the District. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels.

Capital Projects

In 2008-09 the voters passed Proposition V which would provide $79.5 million to be spent on facilities and technology improvement for all Lakeside Union School District sites. In May 2009, the District received $21,833,149 in proceeds from the sale of Series A bonds. In October 2010, the District received $12,982,209 in proceeds from the sale of Series B bonds. Implementation of Phase I projects began in 2008-09 and continued in 2015-16. Implementation of Phase 2 projects began in 2010-11 and continued in 2015-16. As of June 30, 2016, $2,190,139 was expended on various projects in fiscal year 2015-16. Total bond expenditures beginning 2008-09 through 2015-16 are $46,334,859. Due to increased enrollment and changing facility needs, the District completed various capital projects, upgrades and repairs. A project to add a new portable classroom began at end of the fiscal year and continued into 2016-17, of which $138,039 was recorded as a work in progress in 2015-16.

District Indebtedness

As of June 30, 2016, the District has incurred $91,669,723 of long-term liabilities: $47,044,653 General Obligation Bonds Payable, $125,125 Capital Leases Payable, $443,178 Compensated Absences Payable, $612,321 Early Retirement Incentives, $3,198,877 Net OPEB Obligation, and $39,474,646 Net Pension Liability. Of the total long-term liabilities, $1,985,004 is due within one year.

Financial Issues and Economic Factors

The District saw a decline in enrollment and average daily attendance from fiscal year 1999-2000 through 2006-07. Beginning in fiscal year 2007-08 the District experienced a minimal increase in enrollment. The District looked into various strategies to increase student enrollment and ADA and began implementation of an ADA Recovery Program in 2007-08. Each school offers a Saturday School available for all students to participate in educational activities and the school is able to claim ADA for students who are eligible to make-up absences. Average daily attendance as reported in Period-2 of the current fiscal year has steadily increased since 2007-08. District enrollment has also increased due to programs offered such as foreign language, arts, and dance.

District-wide health care costs have been growing dramatically at an average rate of 8-10% per year. As District health care costs and other expenditures rise, District Management must continue to closely monitor the District's limited financial resources.

GASB 68, Accounting and Financial Reporting for Pensions, was effective in the 2014-2015 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Positon as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans have raised the amount that employers must contribute to the plans each year and those increased costs will be significant.

Landmark legislation passed in 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups including those that are low income, English language learners, foster and homeless youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amounts funded to meet the target is uncertain.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Erin Garcia, Assistant Superintendent of Business Services, or Sherrie Egeskog, Director of Finance at Lakeside Union School District, 12335 Woodside Avenue, Lakeside, CA 92040, or email to segeskog@lsusd.net.

Basic Financial Statements

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 13,559,953	$ 1,474,366	$ 15,034,319
Receivables	2,806,158	219,444	3,025,602
Due From (To) Other Funds	231,006	(231,006)	-
Stores	-	95,241	95,241
Prepaid Expenses	27,515	435	27,950
Capital Assets:			-
Land	2,600,683	-	2,600,683
Improvements	927,614	-	927,614
Buildings	49,792,449	-	49,792,449
Equipment	7,321,951	237,091	7,559,042
Work in Progress	138,039	-	138,039
Less Accumulated Depreciation	(20,363,939)	(202,025)	(20,565,964)
Total Assets	57,041,429	1,593,546	58,634,975
DEFERRED OUTFLOWS OF RESOURCES	9,105,229	254,218	9,359,447
LIABILITIES:			
Accounts Payable	2,190,154	97,560	2,287,714
Unearned Revenue	183,828	-	183,828
Long-Term Liabilities:			
Due Within One Year	1,957,512	27,493	1,985,005
Due in More Than One Year	88,941,288	743,430	89,684,718
Total Liabilities	93,272,782	868,483	94,141,265
DEFERRED INFLOWS OF RESOURCES	2,325,581	163,323	2,488,904
NET POSITION:			
Net Investment in Capital Assets	(3,856,051)	35,066	(3,820,985)
Restricted for:			
Capital Projects	2,520,832	-	2,520,832
Debt Service	2,085,930	-	2,085,930
Educational Programs	1,643,764	-	1,643,764
Other Purposes (Expendable)	385,503	780,892	1,166,395
Other Purposes (Nonexpendable)	86,515	-	86,515
Unrestricted	(32,318,198)	-	(32,318,198)
Total Net Position	$ (29,451,705)	$ 815,958	$ (28,635,747)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction	$ 40,933,145	$ 97,585	$ 8,174,990	$ -	$ (32,660,570)	$	$ (32,660,570)
Instruction-Related Services:							
Instructional Supervision and Administration	332,036	-	135,694	-	(196,342)		(196,342)
Instructional Library, Media and Technology	170,002	-	-	-	(170,002)		(170,002)
School Site Administration	3,710,558	11,766	149,290	-	(3,549,502)		(3,549,502)
Pupil Services:							
Home-to-School Transportation	1,512,367	-	88	-	(1,512,279)		(1,512,279)
All Other Pupil Services	2,406,190	6	108,870	-	(2,297,314)		(2,297,314)
General Administration:							
Centralized Data Processing	1,091,440	7,407	36,919	-	(1,047,114)		(1,047,114)
All Other General Administration	3,383,240	3,130	355,517	-	(3,024,593)		(3,024,593)
Plant Services	4,555,529	365,276	1,426,044	-	(2,764,209)		(2,764,209)
Community Services	1,534,382	150,866	587,294	-	(796,222)		(796,222)
Interest on Long-Term Debt	2,396,521	-		-	(2,396,521)		(2,396,521)
Business-Type Activities							
Pupil Services:							
Food Services	2,242,472	260,993	1,528,154	-		(453,325)	(453,325)
General Administration:						-	-
All Other General Administration	111,065	-	-	-		(111,065)	(111,065)
Plant Services	24,411	-	-	-		(24,411)	(24,411)
Total Expenses	$ 64,403,358	$ 897,029	$ 12,502,860	$ -	$ (50,414,668)	$ (588,801)	$ (51,003,469)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes and Subventions:			
Taxes Levied for General Purposes	9,032,980	-	9,032,980
Taxes Levied for Debt Service	2,577,522	-	2,577,522
Taxes Levied for Other Specific Purposes	188,367	-	188,367
Federal and State Aid, Not Restricted	32,406,289	-	32,406,289
Interest and Investment Earnings	44,056	8,233	52,289
Interagency Revenues	805,365	-	805,365
Miscellaneous	681,972	160,360	842,332
Total General Revenues	$ 45,736,551	$ 168,593	$ 45,905,144
Change in Net Position	(4,678,117)	(420,208)	(5,098,325)
Net Position Beginning-Restated (Note L)	(24,773,588)	1,236,166	(23,537,422)
Net Position Ending	$ (29,451,705)	$ 815,958	$ (28,635,747)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 7,402,234	$ 1,238,459
Cash on Hand and in Banks	-	193,895
Cash in Revolving Fund	51,500	7,500
Accounts Receivable	2,787,842	13,863
Due from Other Funds	829,277	13,721
Prepaid Expenditures	25,005	2,510
Total Assets	11,095,858	1,469,948
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,561,518	$ 40,695
Due to Other Funds	22,773	546,694
Unearned Revenue	183,828	-
Total Liabilities	1,768,119	587,389
Fund Balance:		
Nonspendable Fund Balances	76,505	10,010
Restricted Fund Balances	1,290,528	868,740
Assigned Fund Balances	56,368	3,809
Unassigned Fund Balances	7,904,338	-
Total Fund Balance	9,327,739	882,559
Total Liabilities and Fund Balances	$ 11,095,858	$ 1,469,948

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
$ 2,085,930	$ 2,580,436	$ 13,307,059
-	-	193,895
-	-	59,000
-	4,451	2,806,156
-	5,646	848,644
-	-	27,515
2,085,930	2,590,533	17,242,269
$ -	$ 102,041	$ 1,704,254
-	48,170	617,637
-	-	183,828
-	150,211	2,505,719
-	-	86,515
-	2,393,244	4,552,512
2,085,930	47,078	2,193,185
-	-	7,904,338
2,085,930	2,440,322	14,736,550
$ 2,085,930	$ 2,590,533	$ 17,242,269

LAKESIDE UNION SCHOOL DISTRICT

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

Total fund balances, governmental funds:			$ 14,736,550
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds 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:		60,780,736	
Accumulated depreciation:		(20,363,939)	
	Net:		40,416,797
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:			(485,900)
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			6,208,569
Deferred inflows of resources relating to pensions			(2,325,581)
Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:			2,896,660
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liaibilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General Obligation Bonds Payable		47,044,653	
Net pension liability		39,474,646	
Capital Leases Payable		125,125	
Net OPEB Obligation		3,198,877	
Compensated Absences Payable		443,178	
Other General Long-Term Debt		612,321	
	Total:		(90,898,800)
Net position of governmental activities - Statement of Net Position			$ (29,451,705)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Child Development Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 24,016,876	$ -
Education Protection Account Funds	6,364,758	-
Local Sources	7,410,525	-
Federal Revenue	3,241,447	-
Other State Revenue	6,197,436	155,294
Other Local Revenue	5,450,502	1,792,864
Total Revenues	52,681,544	1,948,158
Expenditures:		
Current:		
Instruction	34,333,006	359,349
Instruction - Related Services	3,761,405	112,775
Pupil Services	3,578,311	-
Community Services	4,853	1,446,040
General Administration	4,117,466	7,586
Plant Services	4,259,825	22,846
Capital Outlay	913,807	-
Debt Service:		
Principal	64,252	3,222
Interest	1,518	-
Total Expenditures	51,034,443	1,951,818
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,647,101	(3,660)
Other Financing Sources (Uses):		
Transfers In	3,808,222	-
Transfers Out	-	-
Other Sources	1,518	-
Total Other Financing Sources (Uses)	3,809,740	-
Net Change in Fund Balance	5,456,841	(3,660)
Fund Balance, July 1	3,870,898	886,219
Fund Balance, June 30	$ 9,327,739	$ 882,559

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 24,016,876
-	-	6,364,758
-	-	7,410,525
-	-	3,241,447
37,904	-	6,390,634
2,544,176	130,012	9,917,554
2,582,080	130,012	57,341,794
-	-	34,692,355
-	-	3,874,180
-	9,273	3,587,584
-	-	1,450,893
-	-	4,125,052
-	1,694,400	5,977,071
-	666,865	1,580,672
280,000	-	347,474
1,076,843	-	1,078,361
1,356,843	2,370,538	56,713,642
1,225,237	(2,240,526)	628,152
-	-	3,808,222
-	(3,808,223)	(3,808,223)
-	5,500	7,018
-	(3,802,723)	7,017
1,225,237	(6,043,249)	635,169
860,693	8,483,571	14,101,381
$ 2,085,930	$ 2,440,322	$ 14,736,550

LAKESIDE UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total change in fund balances, governmental funds:			$ 635,169
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds 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	1,580,732	
	Depreciation Expense	(1,949,988)	
	Net		(369,256)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			347,475
Debt Proceeds: In governmental funds, repayments of long-term debt are reported as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:			(1,518)
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 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:			(1,207,204)
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:			(3,659,738)
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:			(34,935)
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:			(440,976)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:			163,825

Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	(110,957)
Change in net position of governmental activities - Statement of Activities	$ (4,678,115)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2016

	Enterprise Fund
	Cafeteria Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 1,192,613
Cash on Hand and in Banks	281,653
Cash in Revolving Fund	100
Accounts Receivable	219,444
Due from Other Funds	3,407
Store Inventories	95,241
Prepaid Expenses	435
Total Current Assets	1,792,893
Noncurrent Assets:	
Fixed Assets-	
Equipment	237,091
Accumulated Depreciation - Equipment	(202,025)
Total Noncurrent Assets	35,066
Total Assets	1,827,959
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension Related	254,218
Total Outflows of Resources	$ 254,218
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 97,560
Due to Other Funds	234,413
Total Current Liabilities	331,973
Noncurrent Liabilities:	
Net Pension Liability	664,695
Other Postemployment Benefits	78,735
Compensated Absences Payable	27,493
Total Noncurrent Liablities	770,923
Total Liabilities	1,102,896
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension Related	163,323
Total Inflows of Resources	163,323
NET POSITION:	
Unrestricted (Deficit)	815,958
Total Net Position	$ 815,958

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
	Cafeteria Fund
Operating Revenues:	
Federal Revenue	$ 1,438,037
State Revenue	90,117
Local Revenue	429,586
Total Revenues	1,957,740
Operating Expenses:	
Classified Personnel Salaries	774,765
Employee Benefits	365,664
Books and Supplies	1,084,023
Services and Other Operating Expenses	37,528
Capital Outlay	4,903
Other Outgo	111,065
Total Expenses	2,377,948
Income (Loss) before Contributions and Transfers	(420,208)
Change in Net Position	(420,208)
Total Net Position - Beginning	1,236,166
Total Net Position - Ending	$ 815,958

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
	Cafeteria Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 414,205
Cash Received from Grants	1,588,778
Cash Payments to Employees for Services	(1,109,374)
Cash Payments to Other Suppliers for Goods and Services	(1,074,813)
Net Cash Provided (Used) by Operating Activities	(181,204)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	7,920
Purchase of Equipment	(5,117)
Net Cash Provided (Used) for Investing Activities	2,803
Net Increase (Decrease) in Cash and Cash Equivalents	(178,401)
Cash and Cash Equivalents at Beginning of Year	1,652,767
Cash and Cash Equivalents at End of Year	$ 1,474,366
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (420,208)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	4,903
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	56,570
Decrease (Increase) in Inventories	42,095
Decrease (Increase) in Prepaid Expenses	(435)
Decrease (Increase) in Due From Other Funds	(3,407)
Decrease (Increase) in Equipment	(5,117)
Decrease (Increase) in Deferred Outflows of Resources	(195,189)
Increase (Decrease) in Accounts Payable	(19,704)
Increase (Decrease) in Compensated Absences	9,325
Increase (Decrease) in Due to Other Funds	136,324
Increase (Decrease) in Net OPEB Obligation	10,854
Increase (Decrease) in Net Pension Liability	201,444
Increase (Decrease) in Deferred Inflows of Resources	4,144
Total Adjustments	241,807
Net Cash Provided (Used) by Operating Activities	$ (178,401)

The accompanying notes are an integral part of this statement.

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

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 65,819
Total Assets	65,819
LIABILITIES:	
Due to Student Groups	$ 65,819
Total Liabilities	65,819
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code sections 15125–15262).

The District reports the following major enterprise funds:

Cafeteria Enterprise Fund. The District has elected to account for the cafeteria program in the enterprise fund as it is the governing boards intent to operate the cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing serices, including depreciation of caital assets and pension costs for employees working in the program.

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities.

Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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.

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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	20
Vehicles	5-15
Office Equipment	5-15
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 is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 3% of general fund operating expenses and other financing uses. If the fund balance drops below 3%, it shall be recovered at a rate of 1% minimally, each year.

7. Deferred Inflows and Deferred Outflows of Resources

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

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #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.

9. Pensions

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

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

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

10. Use of Estimates

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

11. 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.

12. Change in Accounting Policies

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

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

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

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

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

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

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

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

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($14,499,672 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $14,499,672. 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 ($541,367 as of June 30, 2016) and in the revolving fund ($59,100) are insured up to $250,000 by the Federal Depository Insurance Corporation.

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

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

As of June 30, 2016, the District's bank balances (including revolving cash) of $343,052 were exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds				
	General Fund	Child Development Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Programs	$ 701,773	$ -	$ -	$ -	$ 701,773
State Government:					
Lottery	545,667	-	-	-	545,667
Special Education	116,983	-	-	-	116,983
Other State Programs	56	12,096	-	-	12,152
Local Sources:					
Interest	11,033	1,767	-	3,727	16,527
Charter school oversight	520,728	-	-	-	520,728
Other Local Sources	891,602	-	-	724	892,326
Total	$ 2,787,842	$ 13,863	$ -	$ 4,451	$ 2,806,156

	Enterprise Fund
	Cafeteria Fund
Federal Government:	
Child Nutrition Program	$ 202,156
State Government:	
Child Nutrition Program	11,763
Local Sources:	
Interest	1,784
Other Local Sources	3,741
Total	$ 219,444

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

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,600,683	$ -	$ -	$ 2,600,683
Work in progress	38,882	138,039	38,882	138,039
Total capital assets not being depreciated	2,639,565	138,039	38,882	2,738,722
Capital assets being depreciated:				
Buildings	48,529,874	1,262,575	-	49,792,449
Improvements	927,614	-	-	927,614
Equipment	7,108,030	219,000	5,079	7,321,951
Total capital assets being depreciated	56,565,518	1,481,575	5,079	58,042,014
Less accumulated depreciation for:				
Buildings	(13,866,144)	(1,432,730)	-	(15,298,874)
Improvements	(685,560)	(20,101)	-	(705,661)
Equipment	(3,867,326)	(497,157)	(5,079)	(4,359,404)
Total accumulated depreciation	(18,419,030)	(1,949,988)	(5,079)	(20,363,939)
Total capital assets being depreciated, net	38,146,488	(468,413)	-	37,678,075
Governmental activities capital assets, net	$ 40,786,053	$ (330,374)	$ 38,882	$ 40,416,797

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Equipment	231,974	5,117	-	237,091
Total capital assets being depreciated	231,974	5,117	-	237,091
Less accumulated depreciation for:				
Equipment	(197,122)	(4,903)	-	(202,025)
Total accumulated depreciation	(197,122)	(4,903)	-	(202,025)
Total capital assets being depreciated, net	34,852	214	-	35,066
Business-type activities capital assets, net	$ 34,852	$ 214	$ -	$ 35,066

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	$ 1,833,523	$ -
Instruction-Related Services	4,780	-
Pupil Services	16,807	4,903
General Administration	63,444	-
Plant Services	31,434	-
	$ 1,949,988	$ 4,903

F. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	$ 546,694	Child care costs & deposit adj.
General Fund	Nonmajor Govt. Funds	39,181	OPEB & capital project costs
General Fund	Nonmajor Govt. Funds	8,989	Developer fees
General Fund	Cafeteria Enterprise Fund	234,413	OPEB & food service costs
Child Development Fund	General Fund	13,720	Fee adjustments
Cafeteria Enterprise Fund	General Fund	3,407	Cash adjustment
Nonmajor Govt. Funds	General Fund	5,646	OPEB & deposit adjustment
	Total	$ 852,050	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
Nonmajor Govt. Funds	General Fund	$ 3,808,223	Capital projects expenses
	Total	$ 3,808,223	

G. Accounts Payable

Accounts payable at June 30, 2016 consisted of:

	Major Governmental Funds				
	General Fund	Child Development Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 897,979	$ 33,887	$ -	$ 101,996	$ 1,033,862
Pension related liabilities	295,101	6,673	-	45	301,819
Payroll and related liabilities	4,316	135	-	-	4,451
LCFF Apportionment	166,190	-	-	-	166,190
Charter school payables	197,932	-	-	-	197,932
Total	$ 1,561,518	$ 40,695	$ -	$ 102,041	$ 1,704,254

	Enterprise Fund
	Cafeteria Fund
Vendor payables	$ 92,410
Pension related liabilities	5,044
Payroll and related benefits	106
Total	$ 97,560

H. Unearned Revenue

Uneraned Revenue balances as of June 30, 2016 consists of:

	General Fund
Federal Grant - Title I	$ 183,828
Total	$ 3,000

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. Components of Ending Fund Balance

As of June 30, 2016 ending fund balance consisted of the following:

	Major Governmental Funds				
	General Fund	Child Development Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 51,500	$ 7,500	$ -	$ -	$ 59,000
Prepaid Expense	25,005	2,510	-	-	27,515
Total Nonspendable	76,505	10,010	-	-	86,515
Restricted Fund Balances					
Capital Projects	130,000	-	-	2,393,244	2,523,244
Medi-Cal	225,206	-	-		225,206
Educational Programs	775,024	-	-		775,024
Mental Health Services	109,567	-	-		109,567
Child Development Program	-	868,740	-		868,740
Other Restricted	50,731	-	-		50,731
Total Restricted	1,290,528	868,740	-	2,393,244	4,552,512
Assigned Fund Balances					
Capital Projects	-	-	-	15,980	15,980
Child Development Program	-	3,809	-	-	3,809
Debt Service	-	-	2,085,930	-	2,085,930
Pupil Transportation	-	-	-	31,098	31,098
OPEB Obligation	56,141	-	-		56,141
Other Assignments	227	-	-		227
Total Assigned	56,368	3,809	2,085,930	47,078	2,193,185
Unassigned Fund Balances					
For Economic Uncertainty	1,531,034	-	-	-	1,531,034
Other Unassigned	6,373,304	-	-	-	6,373,304
Total Unassigned	7,904,338	-	-	-	7,904,338
Total Fund Balance	$ 9,327,739	$ 882,559	$ 2,085,930	$ 2,440,322	$ 14,736,550

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 46,225,933	$ 1,132,591	$ 313,871	$ 47,044,653	$ 1,328,030
Capital leases	192,600	-	67,475	125,125	60,927
Other general long-term debt	774,628	-	162,307	612,321	125,376
Net OPEB obligation	2,757,901	440,976	-	3,198,877	-
Compensated absences *	408,242	34,936	-	443,178	443,178
Net pension liability	32,292,753	7,181,893	-	39,474,646	-
Total governmental activities	$ 82,652,057	$ 8,790,396	$ 543,653	$ 90,898,800	$ 1,957,511
Business-type activities:					
Net OPEB obligation	$ 67,881	$ 10,854	$ -	$ 78,735	$ -
Net pension liability	463,252	201,443	-	664,695	-
Compensated absences *	18,167	9,326	-	27,493	27,493
Total business-type activities	$ 549,300	$ 221,623	$ -	$ 770,923	$ 27,493

* 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
Compensated absences	Business-type	Cafeteria

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB, pension liability, and bond premium, at June 30, 2016 are as follows:

	Governmental Activities			
Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	$ 1,924,482	$ -	$ 1,194,632	$ 3,119,114
2018	1,646,150	-	1,157,731	2,803,881
2019	1,755,034	-	1,116,830	2,871,864
2020	774,797	-	1,078,080	1,852,877
2021	881,720	-	1,042,511	1,924,231
2022-2026	4,712,810	1,600,632	5,055,547	11,368,989
2027-2031	8,168,781	2,336,219	4,718,815	15,223,815
2032-2036	13,166,731	5,838,269	936,901	19,941,901
2037-2041	3,983,397	19,836,603	-	23,820,000
2042-2046	1,833,639	12,402,929	-	14,236,568
2047-2051	3,141,264	32,162,109	-	35,303,373
Totals	$ 41,988,805	$ 74,176,761	$ 16,301,047	$ 132,466,613

Accreted interest represented in the table is inclusive of amounts that have accrued as of June 30, 2016. Accreted interest represented in the repayment schedule is inclusive of all amounts that will be repaid.

	Business-type Activities		
Year Ending June 30,	Principal	Interest	Total
2017	$ 27,493	$ -	$ 27,493
Totals	$ 27,493	$ -	$ 27,493

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2016, as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 60,927	$ -	$ 60,927
2018	36,219	-	36,219
2019	21,108	-	21,108
2020	6,871	-	6,871
Totals	$ 125,125	$ -	$ 125,125

4. General Obligation Bonds

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

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2008 Election Series A	05/07/2009	3.00-6.03%	08/01/2033	$ 21,833,149
2008 Election Series B	10/07/2010	6.14-6.49%	08/01/2050	12,982,209
2014 Election Series A	04/07/2015	0.0%	08/01/2018	2,900,000
2015 Refunding Bonds	06/09/2015	2.00-4.00%	08/01/2035	6,185,000
Total GO Bonds				$ 43,900,358

	Beginning Balance	Increases	Decreases	Ending Balance
2008 Election Series A	$ 21,313,149	$ -	$ 280,000	$ 21,033,149
2008-A Bond Premium	643,549	-	33,871	609,678
2008-A Accreted Interest	957,572	220,462	-	1,178,034
2008 Election Series B	10,690,031	-	-	10,690,031
2008-B Bond Premium	278,929	-	-	278,929
2008-B Accreted Interest	3,338,056	912,129	-	4,250,185
2014 Election Series A	2,900,000	-	-	2,900,000
2015 Refunding Bonds	6,185,000	-	-	6,185,000
2015 Discount	(80,353)	-	-	(80,353)
Total GO Bonds	$ 46,225,933	$ 1,132,591	$ 313,871	$ 47,044,653

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

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	$ 1,295,000	$ -	$ 1,152,596	$ 2,447,596
2018	1,504,000	-	1,122,936	2,626,936
2019	1,651,000	-	1,087,984	2,738,984
2020	685,000	-	1,055,724	1,740,724
2021	810,000	-	1,026,374	1,836,374
2022-2026	4,569,368	1,600,632	5,039,410	11,209,410
2027-2031	8,168,781	2,336,219	4,718,815	15,223,815
2032-2036	13,166,731	5,838,269	936,901	19,941,901
2037-2041	3,983,397	19,836,603	-	23,820,000
2042-2046	1,833,639	12,402,929	-	14,236,568
2047-2051	3,141,264	32,162,109	-	35,303,373
Totals	$ 40,808,180	$ 74,176,761	$ 16,140,740	$ 131,125,681

Accreted interest represented in the table is inclusive of amounts that have accrued as of June 30, 2016. Accreted interest represented in the repayment schedule is inclusive of all amounts that will be repaid.

5. Early Retirement Incentives

On June 20, 2008 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by seven employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of $360 for each employee (total of $2,520). Total principal incurred for the service credits was $295,439.

On June 20, 2009 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by four employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of $360 for each employee (total of $1,440). Total principal incurred for the service credits was $155,564.

On June 20, 2012 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by two employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of $360 for each employee (total of $720). Total principal incurred for the service credits was $89,648.

On June 20, 2015 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by twelve employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of $360 for each employee (total of $4,320). Total principal incurred for the service credits was $573,762.

Early retirement incentives can be summarized as follows:

	Original Amount	Beginning Balance	Increases	Decreases	Ending Balance
2008 Cal STRS	$ 295,439	$ 36,931	$ -	$ 36,931	$ -
2009 Cal STRS	155,564	38,890	-	19,445	19,445
2012 Cal STRS	89,648	56,030	-	11,206	44,824
2015 STRS Option III	573,762	573,762	-	71,720	502,042
2015 STRS Option II	69,015	69,015	-	23,005	46,010
Total	$ 1,183,428	$ 774,628	$ -	$ 357,034	$ 612,321

Future repayments on early retirement incentives are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 125,376	$ 42,036	$ 167,412
2018	105,931	34,795	140,726
2019	82,926	28,846	111,772
2020	82,926	22,356	105,282
2021	71,720	16,137	87,857
2022-2026	143,442	16,137	159,579
Totals	$ 612,321	$ 160,307	$ 772,628

6. Bond Premium & Discount

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

Bond discount arises when the market rate of interest is lower than the stated interest rate on the bond**.** Generally Accepted Accounting Principles (GAAP) requires that the discount decrease the face value of the bond and then amortize the discount over the life of the bond.

Premiums and discounts are amortized over the life of the debt using the straight line method.

Premiums and discounts issued on the debt resulted in an effective interest rate as follows:

	2008 Series A Bonds	2008 Series B Bonds	2015 Refunding Bonds
Total Interest Payments on Bond	$ 23,929,697	$ 79,073,622	$ 3,328,219
Bond (Premium)/Discount	(846,769)	(338,737)	80,353
Net Interest Payments	23,082,928	78,734,885	3,408,572
Par amount of Bonds	$ 21,833,149	$ 12,982,209	$ 6,185,000
Periods	21	38	20
Effective Interest Rate	5.034%	15.960%	2.756%

L. Adjustment to Beginning Balance

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

In addition, the District made corrections to move net OPEB obligation, compensated absences, and net pension liability (including related deferred outflows of resources and deferred inflows of resources) associated with employees charged to the Cafeteria Enterprise Fund into the fund the employees are directly charged to.

Beginning net position was adjusted as follows:

	Governmental Activities	Business Type Activities	Cafeteria Fund
Net Position, Beginning (As Originally Stated)	$ (29,085,431)	$ 1,867,450	$ 1,867,450
Adjustments for:			
Net Pension Liability Corrections	1,133,219	(463,252)	(463,252)
Deferred Outflows of Resources - Pension Related Corrections	(3,522,592)	59,028	59,028
Deferred Inflows of Resources - Pension Related Corrections	6,633,335	(159,179)	(159,179)
Correction to Net OPEB Obligation	67,881	(67,881)	(67,881)
Net Position, Beginning (As Restated)	$ (24,773,588)	$ 1,236,166	$ 1,236,166

M. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the District's share of the JPA for the year ended June 30, 2016 is as follows:

	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total SDCSRM
Total Assets	$ 1,744,357	$ 126	$ 60,350	$ 1,804,833
Total Liabilities	448,678	218,823	29	667,530
Total Fund Balance	$ 1,295,679	$ (218,697)	$ 60,321	$ 1,137,303
Total Cash Receipts	$ 565,945	$ 222,364	$ 6,604	$ 794,913
Total Cash Disbursements	269,550	243,828	9,670	523,048
Net Change in Fund Balance	$ 296,395	$ (21,464)	$ (3,066)	$ 271,865

The District had a deficit in their property & liability fund with the JPA as of year end. The District is currently negotiating an arrangement with the JPA to repay the deficit. As of June 30, 2016 terms of the repayment have not yet been agreed upon.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

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

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.15%	8.15%
Required employer contribution rates (at June 30, 2015)	8.88%	8.88%
Required state contribution rates (at June 30, 2015)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.20%	8.56%**
Required employer contribution rates (at June 30, 2016)	10.730%	10.730%
Required state contribution rates (at June 30, 2016)	7.126%	7.126%

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

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (at June 30, 2015)	7.00%	6.00%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.00%	6.00%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

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

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability**.** The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized

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

	Governmental Activities		Business Type Activities		
	CalSTRS	CalPERS	CalSTRS	CalPERS	Total
Contributions - Employer	$ 1,850,834	$ 801,887	$ -	$ 59,029	$ 2,711,750
Contributions - Employee	1,753,570	482,511	-	35,519	2,271,600
Contributions - State	1,016,415	-	-	-	1,016,415
Total Contributions	$ 4,620,819	$ 1,284,398	$ -	$ 94,548	$ 5,999,765

g. Pension Expense

	Governmental Activities		Business Type Activities		
	CalSTRS	CalPERS	CalSTRS	CalPERS	Total
Change in Net Pension Liability	$ 4,804,004	$ 2,377,889	$ -	$ 201,443	$ 7,383,336
Change in Contributions Made Subsequent to Measurement Date	(534,673)	(39,938)	-	(6,208)	(580,819)
Change in Difference Between Actual & Expected Experience	(5,917)	(555,206)	-	(40,870)	(601,993)
Change in Assumptions	-	596,894	-	43,939	640,833
Change in Proportionate Shares	(694,980)	(242,114)	-	(38,942)	(976,036)
Net Difference Between Projected & Actual Earnings	8,202	(2,054,423)	-	(148,964)	(2,195,185)
Total Pension Expense	$ 3,576,636	$ 83,102	$ -	$ 10,398	$ 3,670,136

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Governmental Activities Proportionate Share of Net Pension Liability	Business Type Activities Proportionate Share of Net Pension Liability	Total Proportionate Share of Net Pension Liability
CalSTRS	$ 30,445,019	$ -	$ 30,445,019
CalPERS	9,029,627	664,695	9,694,322
Total Net Pension Liability	$ 39,474,646	$ 664,695	$ 40,139,341

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability**.** The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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

	CalSTRS				
	District's Proportionate Share		State's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	
June 30, 2014	0.0436%	-	0.0274%	-	0.0710%
June 30, 2015	0.0451%	-	0.0248%	-	0.0699%
Change	0.0015%	-	-0.0026%	-	-0.0011%

	CalPERS		
	District's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	
June 30, 2014	0.0586%	0.0041%	0.0627%
June 30, 2015	0.0613%	0.0045%	0.0658%
Change	0.0027%	0.0004%	0.0031%

For the year ended June 30, 2016, the District recognized pension expense of $3,670,136. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,227,332	$ -	$ 65,237	$ -
Differences between actual & expected experience	561,123	-	40,870	-
Changes in assumptions	-	(596,894)	-	(43,939)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	937,094	-	38,942	-
Net difference between projected and actual experience on plan inventsmentsw	1,483,020	(1,728,687)	109,169	(119,384)
Total	$ 6,208,569	$ (2,325,581)	$ 254,218	$ (163,323)

$3,292,569 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Governmental Activities		
Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	$ 745,309	$ (724,639)	$ 20,670
2018	745,309	(724,639)	20,670
2019	745,309	(724,639)	20,670
2020	745,310	(151,664)	593,646
Total	$ 2,981,237	$ (2,325,581)	$ 655,656

	Business Type Activities		
Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	$ 47,246	$ (50,780)	$ (3,534)
2018	47,246	(50,780)	(3,534)
2019	47,246	(50,779)	(3,533)
2020	47,246	(10,984)	36,262
Total	$ 188,984	$ (163,323)	$ 25,661

a. Actuarial Assumptions

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

	CalSTRS		CalPERS	
Valuation Date	June 30, 2014		June 30, 2014	
Measurement Date	June 30, 2015		June 30, 2015	
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS			
Actuarial Assumptions:				
Discount Rate	7.6000%		7.6500%	
Inflation	3.0%		2.75%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.6000%	(2)	7.6500%	(2)
Mortality	.013-.435%	(3)	.0013-.4591%	(3)

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

b. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% 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.

CalPERS has changed the discount rate from 7.50% to 7.65% to correct for an adjustment to exclude administrative expenses.

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

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

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

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

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

CalSTRS

Asset Class	Allocation 06/30/15	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

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

Asset Class	CalPERS Allocation 06/30/15	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	-	-
Plan Level	0.40%	-	-
Liquidity	2.50%	-0.55%	-1.05%

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

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

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

	Governmental Activities		Business Type Activities	
	CalSTRS	CalPERS	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%	6.60%	6.65%
Net Pension Liability	$ 45,848,506	$ 14,696,472	$ -	$ 1,081,846
Current Discount Rate	7.60%	7.65%	7.60%	7.65%
Net Pension Liability	$ 30,445,019	$ 9,029,627	$ -	$ 664,695
1% Increase	8.60%	8.65%	8.60%	8.65%
Net Pension Liability	$ 17,496,617	$ 4,317,269	$ -	$ 317,805

d. Pension Plan Fiduciary Net Position

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	$ 176,836,518	$ 135,320,588	$ 41,515,930	$ 16,028,144	$ 25,487,786
Adjustment for CalSTRS Audit Adjustments	-	(113,127)	113,127	(40,102)	153,229
Balance at June 30, 2015 (As Adjusted)	176,836,518	135,207,461	41,629,057	15,988,042	25,641,015
Changes for the year:					
Change in proportionate share	(2,919,094)	(2,233,775)	(685,319)	(1,554,041)	868,722
Service cost	3,882,054	-	3,882,054	1,376,155	2,505,899
Interest	12,965,332	-	12,965,332	4,596,099	8,369,233
Differences between expected and actual experience	(916,712)	-	(916,712)	(324,967)	(591,745)
Contributions:					
Employer	-	1,850,834	(1,850,834)	(663,263)	(1,187,571)
Employee	-	1,753,570	(1,753,570)	(621,626)	(1,131,944)
State On Behalf	-	1,016,415	(1,016,415)	(353,153)	(663,262)
Net investment income	-	5,318,360	(5,318,360)	(1,885,313)	(3,433,047)
Other income	-	2,749	(2,749)	(975)	(1,774)
Benefit payments, including refunds of employee contributions	(8,779,056)	(8,779,056)	-	-	-
Administrative expenses	-	(107,657)	107,657	38,164	69,493
Net Changes	4,232,524	(1,178,560)	5,411,084	607,080	4,804,004
Balance at June 30, 2016	$ 181,069,042	$ 134,028,901	$ 47,040,141	$ 16,595,122	$ 30,445,019

CalPERS - Governmental Activities

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	$ 40,014,835	$ 33,363,097	$ 6,651,738
Changes for the year:			
Adjustment for change in proportionate share	1,820,609	1,517,966	302,643
Service cost	995,454	-	995,454
Interest	3,156,378	-	3,156,378
Differences between expected and actual experience	694,007	-	694,007
Changes in assumptions	(746,118)	-	(746,118)
Contributions - Employer	-	801,887	(801,887)
Contributions - Employee	-	482,511	(482,511)
Net plan to plan resource movement	-	(79)	79
Net investment income	-	779,438	(779,438)
Benefit payments, including refunds of employee contributions	(2,042,423)	(2,042,423)	-
Administrative expenses	-	(39,282)	39,282
Net Changes	3,877,907	1,500,018	2,377,889
Balance at June 30, 2016	$ 43,892,742	$ 34,863,115	$ 9,029,627

CalPERS - Business Type Activities

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	$ 2,786,783	$ 2,323,531	$ 463,252
Changes for the year:			
Adjustment for change in proportionate share	292,833	244,155	48,678
Service cost	73,278	-	73,278
Interest	232,349	-	232,349
Differences between expected and actual experience	51,088	-	51,088
Changes in assumptions	(54,924)	-	(54,924)
Contributions - Employer	-	59,029	(59,029)
Contributions - Employee	-	35,519	(35,519)
Net plan to plan resource movement	-	(6)	6
Net investment income	-	57,376	(57,376)
Benefit payments, including refunds of employee contributions	(150,348)	(150,348)	-
Administrative expenses	-	(2,892)	2,892
Net Changes	444,276	242,833	201,443
Balance at June 30, 2016	$ 3,231,059	$ 2,566,364	$ 664,695

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

O. Early Retirement Incentive Program

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

A total of 5 employees have retired in exchange for the additional two years of service credit.

			Retired Employees		Replacement Employees (If Applicable)	
Position Vacated	Age	Service Credit	Salary	Benefits	Salary	Benefits
Teacher	66.20	27	$ 98,666	$ 31,437	$ 43,593	$ 23,680
Teacher	60.10	29	93,918	19,448	47,399	12,896
Teacher	56.00	31	90,854	19,017	47,399	12,896
Teacher	57.50	21	69,350	27,308	43,593	23,680
Teacher	56.40	23	88,472	34,118	43,593	27,797
Totals			$ 441,260	$ 131,328	$ 225,577	$ 100,949

Additional Costs

As a result of the early retirement incentive program, the District expects to incur additional costs. The breakdown in additional costs is as follows:

Retirement Costs	$ 236,514
Health Benefit Costs	63,432
Administrative Costs	1,450
Total Additional Costs	$ 301,396

P. Postemployment Benefits Other Than Pension Benefits

The District currently provides retiree health benefits to 92 retired employees. In addition, 412 active employees are earning service credits towards eligibility for future retiree health benefits. To be eligible for retiree health benefits, an employee must retire from PERS/STRS on or after age 55 with at least 10 years of District eligible service (15 years of service for Certificated employees). The District's financial obligation is to provide 100% of the cost for retiree-only medical premium (and dental premium for Classified employees) to the retirees' attainment of age 65**.** Some current retirees are eligible for lifetime benefits.

Benefit Plan Provisions

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

The District provides retiree medical including prescription drug benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. Eligibility for retiree medical benefits requires retirement under STRS on or after age 55 with at least 15 years of District eligible service.

The District's contribution is 100% of the retiree-only medical premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

Classified Employees

The District provides retiree medical including prescription drug benefits and dental benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. Eligibility for retiree medical and dental benefits requires retirement under PERS on or after age 55 with at least 10 years of District eligible service.

The District's contribution is 100% of the retiree-only medical and dental premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

Management Employees

The District provides retiree medical including prescription drug benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. There are some management employees with lifetime medical coverage and/or some life insurance coverage. Eligibility for retiree medical benefits requires retirement under STRS/PERS on or after age 55 with at least 10 years of District eligible service.

The District's contribution is 100% of the retiree-only medical premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

Annual Required Contribution

The District's annual required contribution (accrual expense) for the 2015-16 fiscal year is $1,045,131. The $1,045,131 is comprised of the present value of benefits accruing in the fiscal year (normal cost with interest) plus a 26-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The increase in the net OPEB obligation at the end of the fiscal year will reflect any actual contributions made by the District during the period for retiree health benefits including any pre-funding amounts. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual Required Contribution (ARC)	$	1,045,131
Interest on Net OPEB Obligation		76,094
Adjustment to ARC		(157,471)
Annual OPEB Cost		963,754
Employer Contributions		(511,924)
Increase in Net OPEB Obligation		451,830
Net OPEB Obligation, Beginning of Year		2,825,782
Net OPEB Obligation, End of Year	$	3,277,612

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, 2015 and 2016 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 916,325	52.85%	$ 2,280,157
2015	963,754	43.38%	2,825,782
2016	963,754	53.12%	3,277,612

The projection of future benefit payments for an ongoing plan involves 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 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 multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Q. Deferred Outflows of Resources

On June 9, 2015 the District issued refunding bonds which partially refunded the 2008 Series B Bonds. The bond issuance resulted in a refunding loss of $3,041,488 which is recorded as a deferred outflow of resources and amortized over the life of the bond.

In addition, GASB Statement No. 68 & 71 define certain items that are recorded as deferred outflows of resources as related to pensions. Additional information on the deferred outflows of resources related to pensions is available at Note N.

A summary of the deferred outflows of resources as of June 30, 2016 are as follows:

Description	Issue Date	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Refunding Loss	06/09/2015	$ 3,041,488	$ -	$ 144,828	$ 2,896,660
Pension Related - Govt.	Varies	2,652,721	6,953,878	3,398,030	6,208,569
Pension Related - Bus. Type	Varies	59,029	301,464	106,275	254,218
Total Deferred Outflows of Resources		$ 5,753,238	$ 7,255,342	$ 3,649,133	$ 9,359,447

R. Deferred Inflows of Resources

GASB Statement No. 68 & 71 define certain items that are recorded as deferred inflows of resources as related to pensions. Additional information on the deferred outflows of resources related to pensions is available at Note N.

A summary of the deferred inflows of resources as of June 30, 2016 are as follows:

Description	Issue Date	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Pension Related - Govt.	Varies	$ 2,291,888	$ 758,332	$ 724,639	$ 2,325,581
Pension Related - Bus. Type	Varies	159,179	54,924	50,780	163,323
Total Deferred Outflows of Resources		$ 2,451,067	$ 813,256	$ 775,419	$ 2,488,904

S. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

T. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 74

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

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

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

GASB Statement No. 77

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

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

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

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

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

The gross dollar amount of taxes abated during the period.

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

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

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

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

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

GASB Statement No. 78

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

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

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

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

GASB Statement No. 79

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

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

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

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

GASB Statement No. 80

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

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

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

Required Supplementary Information

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

LAKESIDE UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 24,809,423	$ 24,166,952	$ 24,016,876	$ (150,076)
Education Protection Account Funds	5,510,176	6,421,636	6,364,758	(56,878)
Local Sources	6,288,696	7,287,469	7,410,525	123,056
Federal Revenue	2,818,868	3,646,638	3,241,447	(405,191)
Other State Revenue	4,728,548	6,267,629	6,197,436	(70,193)
Other Local Revenue	4,647,967	5,034,793	5,450,178	415,385
Total Revenues	48,803,678	52,825,117	52,681,220	(143,897)
Expenditures:				
Current:				
Certificated Salaries	20,886,087	22,636,129	22,803,645	(167,516)
Classified Salaries	7,121,659	7,399,826	7,490,507	(90,681)
Employee Benefits	11,447,072	12,901,617	12,814,390	87,227
Books And Supplies	2,297,473	2,509,450	1,876,727	632,723
Services And Other Operating Expenditures	4,404,511	5,149,175	5,188,248	(39,073)
Direct Support/Indirect Costs	(97,117)	(117,430)	(118,651)	1,221
Capital Outlay	110,000	925,461	913,807	11,654
Debt Service:				
Principal	33,995	40,282	64,252	(23,970)
Interest	-	-	1,518	(1,518)
Total Expenditures	46,203,680	51,444,510	51,034,443	410,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,599,998	1,380,607	1,646,777	266,170
Other Financing Sources (Uses):				
Transfers In	-	3,808,222	3,808,222	-
Other Sources	-	-	1,518	1,518
Total Other Financing Sources (Uses)	-	3,808,222	3,809,740	1,518
Net Change in Fund Balance	2,599,998	5,188,829	5,456,517	267,688
Fund Balance, July 1	3,814,854	3,814,854	3,814,854	-
Fund Balance, June 30	$ 6,414,852	$ 9,003,683	$ 9,271,371	$ 267,688

See Accompanying Notes to Required Supplementary Information

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other State Revenue	$ 120,569	$ 120,569	$ 155,294	$ 34,725
Other Local Revenue	1,209,263	1,209,263	1,792,864	583,601
Total Revenues	1,329,832	1,329,832	1,948,158	618,326
Expenditures:				
Current:				
Certificated Salaries	70,759	70,759	90,937	(20,178)
Classified Salaries	811,610	812,662	1,061,898	(249,236)
Employee Benefits	290,000	290,000	357,782	(67,782)
Books And Supplies	23,228	27,037	114,981	(87,944)
Services And Other Operating Expenditures	283,145	289,686	315,412	(25,726)
Direct Support/Indirect Costs	6,865	5,813	7,586	(1,773)
Debt Service:				
Principal	-	-	3,222	(3,222)
Total Expenditures	1,485,607	1,495,957	1,951,818	(455,861)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,775)	(166,125)	(3,660)	162,465
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(155,775)	(166,125)	(3,660)	162,465
Fund Balance, July 1	728,506	886,219	886,219	-
Fund Balance, June 30	$ 572,731	$ 720,094	$ 882,559	$ 162,465

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-3

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTH BENEFIT PROGRAM
YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial 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)
01/2008	$ -	$ 5,896,582	$ 5,896,582	-	$ 25,481,310	23.1%
01/2010	-	6,016,575	6,016,575	-	24,595,517	24.5%
01/2012	-	6,212,351	6,212,351	-	24,950,695	24.9%
01/2014	-	6,789,240	6,789,240	-	24,004,000	28.3%
01/2016	-	10,684,134	10,684,134	-	28,298,000	37.8%

LAKESIDE UNION SCHOOL DISTRICT **EXHIBIT B-4**

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0451%	0.0436%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 30,445,019	$ 25,641,015	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	16,595,123	15,988,042	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 47,040,142	$ 41,629,057	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 22,232,125	$ 20,842,725	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.94%	123.02%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-5

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 2,385,507	$ 1,850,834	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(2,385,507)	(1,850,834)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 22,232,125	$ 20,842,725	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-6

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0658%	0.0631%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 9,692,322	$ 7,114,990	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 7,656,470	$ 7,313,873	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	126.59%	97.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-7

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 907,062	$ 860,916	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(907,062)	(860,916)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 7,656,470	$ 7,313,873	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary 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 the District's Special Reserve Fund for Other Post Employment Benefits (Fund 20) were 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	$ 9,327,739
Less: Fund 17 Fund Balance	(227)
Less: Fund 20 Fund Balance	(56,141)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$ 9,271,371

General Fund - Fund Financial Statements Net Change in Fund Balance	$ 5,456,841
Change in Fund Balance attributed to Fund 17	(2)
Change in Fund Balance attributed to Fund 20	(322)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$ 5,456,517

Excess of Expenditures Over Appropriations

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

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Certificated Salaries	$ 167,516	The District underestimated costs of salary increases
Classified Salaries	90,681	The District underestimated costs of salary increases
Services & Other	39,073	The District underestimated costs of services & other
Principal	23,970	The District underestimated costs of debt service principal
Interest	1,518	The District underestimated costs of debt service interest
Child Development Fund:		
Certificated Salaries	20,178	The District underestimated costs of salary increases
Classifiedc Salaries	249,236	The District underestimated costs of salary increases
Employee Benefits	67,782	The District underestimated costs of employee benefits
Books & Supplies	87,944	The District underestimated costs of books & supplies
Services & Other	25,726	The District underestimated costs of services & other
Indirect Costs	1,773	The District underestimated indirect costs
Principal	3,222	The District underestimated costs of debt service principal

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

Benefit Changes: In 2015 & 2016 there were no changes to benefits

Changes in Assumptions: In 2015 & 2016 there were no changes in assumptions

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

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

	Year Ended June 30, 2015	Year Ended June 30, 2016
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010	July 1, 2007 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post Retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members using the RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are industry standarde of mortality rates published by the Society of Actuaries. See CalSTRS experience analysis published on the CalSTRS website for more information.

Schedule of District's Proportionate Share - California Public Employee's Retirement System (CalPERS)

Benefit Changes: In 2015 & 2016 there were no changes to benefits.

Changes in Assumptions: In 2015 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 expense.

Schedule of District Contributions - California Public Employee's Retirement System (CalPERS)

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

	Year Ended June 30, 2015	Year Ended June 30, 2016
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 1996 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Benefit Increases	2.00% Simple	2.00% - 2.75%

The mortality table used was developed based on CalPERS specified 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 experience studies available on the CalPERS website.

Combining Statements and Budget Comparisons as Supplementary Information

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

LAKESIDE UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	$ 31,053	$ 2,549,383	$ 2,580,436
Accounts Receivable	45	4,406	4,451
Due from Other Funds	-	5,646	5,646
Total Assets	31,098	2,559,435	2,590,533
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ -	$ 102,041	$ 102,041
Due to Other Funds	-	48,170	48,170
Total Liabilities	-	150,211	150,211
Fund Balance:			
Restricted Fund Balances	-	2,393,244	2,393,244
Assigned Fund Balances	31,098	15,980	47,078
Total Fund Balance	31,098	2,409,224	2,440,322
Total Liabilities and Fund Balances	$ 31,098	$ 2,559,435	$ 2,590,533

LAKESIDE UNION SCHOOL DISTRICT

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Other Local Revenue	$ 368	$ 129,644	$ 130,012
Total Revenues	368	129,644	130,012
Expenditures:			
Current:			
Pupil Services	9,273	-	9,273
Plant Services	-	1,694,400	1,694,400
Capital Outlay	-	666,865	666,865
Total Expenditures	9,273	2,361,265	2,370,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,905)	(2,231,621)	(2,240,526)
Other Financing Sources (Uses):			
Transfers Out	(58,181)	(3,750,042)	(3,808,223)
Other Sources	-	5,500	5,500
Total Other Financing Sources (Uses)	(58,181)	(3,744,542)	(3,802,723)
Net Change in Fund Balance	(67,086)	(5,976,163)	(6,043,249)
Fund Balance, July 1	98,184	8,385,387	8,483,571
Fund Balance, June 30	$ 31,098	$ 2,409,224	$ 2,440,322

LAKESIDE UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ -	$ 31,053	$ 31,053
Accounts Receivable	-	45	45
Total Assets	-	31,098	31,098
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	-	-	-
Fund Balance:			
Assigned Fund Balances	$ -	$ 31,098	$ 31,098
Total Fund Balance	-	31,098	31,098
Total Liabilities and Fund Balances	$ -	$ 31,098	$ 31,098

LAKESIDE UNION SCHOOL DISTRICT

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

	Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 151	$ 217	$ 368
Total Revenues	151	217	368
Expenditures:			
Current:			
Pupil Services	-	9,273	9,273
Total Expenditures	-	9,273	9,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	151	(9,056)	(8,905)
Other Financing Sources (Uses):			
Transfers Out	(58,181)	-	(58,181)
Total Other Financing Sources (Uses)	(58,181)	-	(58,181)
Net Change in Fund Balance	(58,030)	(9,056)	(67,086)
Fund Balance, July 1	58,030	40,154	98,184
Fund Balance, June 30	$ -	$ 31,098	$ 31,098

LAKESIDE UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	$ 1,027,812	$ 1,505,614
Accounts Receivable	2,221	2,162
Due from Other Funds	5,646	-
Total Assets	1,035,679	1,507,776
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 12,785	$ 89,256
Due to Other Funds	39,181	8,989
Total Liabilities	51,966	98,245
Fund Balance:		
Restricted Fund Balances	983,713	1,409,531
Assigned Fund Balances	-	-
Total Fund Balance	983,713	1,409,531
Total Liabilities and Fund Balances	$ 1,035,679	$ 1,507,776

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
$ -	$ 15,957	$ 2,549,383
-	23	4,406
-	-	5,646
-	15,980	2,559,435
$ -	$ -	$ 102,041
-	-	48,170
-	-	150,211
-	-	2,393,244
-	15,980	15,980
-	15,980	2,409,224
$ -	$ 15,980	$ 2,559,435

LAKESIDE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	$ 9,428	$ 118,184
Total Revenues	9,428	118,184
Expenditures:		
Current:		
Plant Services	1,661,313	33,087
Capital Outlay	528,826	138,039
Total Expenditures	2,190,139	171,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,180,711)	(52,942)
Other Financing Sources (Uses):		
Transfers Out	-	-
Other Sources	-	5,500
Total Other Financing Sources (Uses)	-	5,500
Net Change in Fund Balance	(2,180,711)	(47,442)
Fund Balance, July 1	3,164,424	1,456,973
Fund Balance, June 30	$ 983,713	$ 1,409,531

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
$ -	$ 2,032	$ 129,644
-	2,032	129,644
-	-	1,694,400
-	-	666,865
-	-	2,361,265
-	2,032	(2,231,621)
(42)	(3,750,000)	(3,750,042)
-	-	5,500
(42)	(3,750,000)	(3,744,542)
(42)	(3,747,968)	(5,976,163)
42	3,763,948	8,385,387
$ -	$ 15,980	$ 2,409,224

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

LAKESIDE UNION SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2016

The Lakeside Union School District was established in 1890, and is comprised of an area of approximately 75 square miles in San Diego County. There were no changes in the boundaries of the district during the current year. The district is currently operating six elementary; two middle schools; a special education high school; and is the authorizer of three charter schools.

On July 1, 1997 the district authorized River Valley Charter High School and Canyon Oaks Junior High School, which provides education to students in grades 7-12.

On April 18, 2002 the district authorized the Barona Indian Charter School which provides education to students in grades K-8.

On March 13, 2008 the district authorized a charter for the National University Academy dedicated to creating K-12 learning opportunities beginning in the 2008-09 school year.

Governing Board

Name	Office	Term and Term Expiration
C. Keith Hildreth	President	Four Year Term Expires November 2016
Gelia G. Cook	Vice President	Four Year Term Expires November 2018
Twila C. Godley	Clerk	Four Year Term Expires November 2016
Kevin C. Howe	Member	Four Year Term Expires November 2018
Bonnie LaChappa	Member	Four Year Term Expires November 2018

Administration

David H. Lorden, Ed.D.
Superintendent

Andrew Johnsen, Ed.D.
Assistant Superintendent
Educational Services

Erin Garcia
Assistant Superintendent
Business Services

Sherrie Egeskog
Director of Finance

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2016

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,417.35	N/A	2,422.28	N/A
Extended Year Special Education	3.13	N/A	3.13	N/A
Special Education, Nonpublic	0.96	N/A	0.96	N/A
TK/K-3 Totals	2,421.44	N/A	2,426.37	N/A
Grades 4-6:				
Regular ADA	1,511.06	N/A	1,505.42	N/A
Extended Year Special Education	2.26	N/A	2.26	N/A
Special Education, Nonpublic	2.13	N/A	2.01	N/A
Grades 4-6 Totals	1,515.45	N/A	1,509.69	N/A
Grades 7-8:				
Regular ADA	947.37	N/A	946.86	N/A
Extended Year Special Education	1.71	N/A	1.71	N/A
Special Education, Nonpublic	3.22	N/A	3.49	N/A
Extended Year - Nonpublic	0.39	N/A	0.39	N/A
Grades 7-8 Totals	952.69	N/A	952.45	N/A
ADA totals	4,889.58	N/A	4,888.51	N/A

N/A-There were no revisions to the Annual ADA as reported.

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, 2016

Grade Level	Ed Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Lakeside Farms Elementary School					
Kindergarten	36,000	49,315	180	-	Complied
Grade 1	50,400	53,930	180	-	Complied
Grade 2	50,400	53,760	180	-	Complied
Grade 3	50,400	53,760	180	-	Complied
Grade 4	54,000	53,760	180	-	Did Not Comply
Grade 5	54,000	53,760	180	-	Did Not Comply
Lakeview Elementary School					
Kindergarten	36,000	52,650	180	-	Complied
Grade 1	50,400	52,995	180	-	Complied
Grade 2	50,400	52,995	180	-	Complied
Grade 3	50,400	53,165	180	-	Complied
Grade 4	54,000	53,165	180	-	Did Not Comply
Grade 5	54,000	53,165	180	-	Did Not Comply
Remaning Schools at Lakeside Union School District					
Transitional Kindergarten	36,000	47,475	180	-	Complied
Kindergarten	36,000	53,050	180	-	Complied
Grade 1	50,400	52,995	180	-	Complied
Grade 2	50,400	52,995	180	-	Complied
Grade 3	50,400	53,165	180	-	Complied
Grade 4	54,000	54,350	180	-	Complied
Grade 5	54,000	54,350	180	-	Complied
Grade 6	54,000	57,245	180	-	Complied
Grade 7	54,000	57,245	180	-	Complied
Grade 8	54,000	57,245	180	-	Complied

Districts, including basic aid districts, and charter schools must maintain their instructional minutes as required by 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.

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-3

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

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	$ 52,933,061	$ 56,490,960	$ 43,752,639	$ 39,498,277
Expenditures, other uses and transfers out	52,668,029	51,034,443	45,431,967	41,074,165
Change in fund balance (deficit)	265,032	5,456,517	(1,679,328)	(1,575,888)
Ending fund balance	$ 9,536,403	$ 9,271,371	$ 3,814,854	$ 5,494,182
Available reserves (See Note 2)	$ 8,734,635	$ 7,904,338	$ 1,718,960	$ 3,874,014
Available reserves as a percentage of total outgo	16.6%	15.9%	3.8%	9.4%
Total long-term debt (Note 5)	$ 89,684,720	$ 91,669,725	$ 83,250,037	$ 42,520,837
Average daily attendance at P-2	4,890	4,890	4,752	4,654

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

The general fund balance has increased by $3,777,189 (68.75%) over the past two years. The fiscal year 2016-17 budget projects an increase of $265,032 (2.86%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $49,148,888 over the past two years.

Average daily attendance has increased by 236 over the past two years.

Notes:

1. Budget 2017 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3. On behalf payments of $1,367,106, $1,046,161, and $1,002,673, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2016, 2015, and 2014.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.
5. As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the years ended June 30, 2015 and 2016 are not comparable to previous years represented in this table.

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-4

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

	General Fund	Special Reserve Fund Other Than Capital Outlay (Fund 17)	Special Reserve Fund for Other Postemployment Benefits (Fund 20)
June 30, 2016, annual financial and budget report fund balances	$ 9,271,371	$ 227	$ 56,141
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Inclusion of funds for reporting purposes only, in accordance with GASB Statement No. 54	56,368	(227)	(56,141)
Net adjustments and reclassifications	56,368	(227)	(56,141)
June 30, 2016, audited financial statement fund balances	$ 9,327,739	$ -	$ -

	Enterprise Fund Cafeteria Fund
June 30, 2016, annual financial and budget report net position	$ 1,522,810
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Correction to Stores Inventory Balance	(54,317)
Inclusion of Net OPEB Obligation (GASB 45)	(78,735)
Inclusion of Net Pension Liability (GASB 68)	(664,695)
Inclusion of Deferred Outflows of Resources - Pension Related (GASB 68 & 71)	254,218
Inclusion of Deferred Inflows of Resources - Pension Related (GASB 68)	(163,323)
Net adjustments and reclassifications	(706,852)
June 30, 2016, audited financial statement net position	$ 815,958

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.

The following charter schools are chartered by Lakeside Union School District.

Charter Schools	Included In Audit?
River Valley Charter High School	No
Barona Indian Charter School	No
National University Academy	No

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 242,914
National School Lunch Program - Noncash Commodities	10.555	13396	-	138,197
National School Lunch Program - Section 11	10.555	13396	-	747,667
National School Lunch Program - Section 4	10.555	13523	-	143,511
Total Passed Through State Department of Education			-	1,272,289
Total U. S. Department of Agriculture			-	1,272,289
Total Child Nutrition Cluster			-	1,272,289
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	172,833
Total U. S. Department of Health and Human Services			-	172,833
Total Medicaid Cluster			-	172,833
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education - IDEA Basic Local Assistance, Part B	84.027	10015	-	1,175
Special Education - IDEA Basic Local Assistance	84.027	13379	-	2,762,873
Special Education - IDEA Preschool Local Assistance	84.027	13682	-	92,713
Special Education - IDEA Mental Health	84.027	14468	-	85,931
Special Education - IDEA Preschool Grants	84.173	13430	-	53,748
Special Education - IDEA Preschool Staff Development	84.173	13431	-	360
Total Passed Through State Department of Education			-	2,996,800
Total U. S. Department of Education			-	2,996,800
Total Special Education (IDEA) Cluster			-	2,996,800
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Title I	84.010	14329	-	554,388
Impact Aid - P.L. 81.874	84.041	10015	-	199,002
Indian Education	84.060	10011	-	20,008
Early Intervention	84.181	23761	-	23,652
Title III - Limited English Proficiency	84.365	14346	-	35,389
Title III - Immigrant Education	84.365	15146	-	4,093
Title II - Math & Science	84.366	14512	-	475,773
Title II - Teacher Quality	84.367	14341	-	153,493
Total Passed Through State Department of Education			-	1,465,798
Total U. S. Department of Education			-	1,465,798
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13666	-	288,130
Total U. S. Department of Agriculture			-	288,130
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 6,195,850

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lakeside Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 5.29% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title II - Math and Science	84.366	3.72%
Title III - Limited English Proficiency	84.365	2.00%
Indian Education	84.060	1.34%
Child Nutrition Cluster	10.553, 10.555	5.08%

Schoolwide Program

The District operates "schoolwide programs" at two school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the School in it's schoolwide program:

Program	CFDA #	Amount Expended
Title I	84.010	$97,163

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
Lakeside Union School District
Lakeside, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Lakeside Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lakeside Union School District's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakeside Union 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 Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakeside Union 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2016-001, that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakeside Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2016-002, 2016-003, 2016-004 and 2016-005.

Lakeside Union School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2016

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 Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Lakeside Union School District
Lakeside, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Lakeside Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lakeside Union School District's major federal programs for the year ended June 30, 2016. Lakeside Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lakeside Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lakeside Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Lakeside Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lakeside Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lakeside Union School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiences and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 to be significant deficiencies.

Lakeside Union School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lakeside Union School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2016

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
Lakeside Union School District
Lakeside, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2016.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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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	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	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.

We did not perform testing for Independent Study because the ADA generated from independent study was below the level that required testing.

Opinion on State Compliance

In our opinion, Lakeside Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2016-004 and 2016-005.

Lakeside Union School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 14, 2016

Findings and Recommendations Section

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?		Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		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	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?	X	Yes		No

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?	X	Yes		No

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

B. Financial Statement Findings

Finding 2016-001 (30000)
Cafeteria Inventory Procedures

Criteria or Specific Requirement
Verify that amounts recorded for inventory are materially correct.

Condition
In our review of inventory records for the cafeteria enterprise fund we noted that the financial statements were overstated by $54,317.

Questioned Costs
None

Cause
Inventory records prepared by the cafeteria department were difficult to understand and follow. The business office recording the adjustment to correct ending balance received an amount from the cafeteria department that was different from actual inventory records.

Effect
Inventory was overstated on the financial statements.

Recommendation
Establish procedures between the business office and the cafeteria department that ensure accurate reporting of inventory balances.

LEA's Response
New practices have been implemented to ensure accurate and transparent communication between Business Services and Food Services department staff. A new form has been created to assist in providing accurate data between departments for year-end closing adjustments, including inventory. In addition, both departments will meet regularly during the year to review the budget. Also, Food Services department staff will review the Unaudited Actuals before completion.

C. Federal Award Findings and Questioned Costs

Finding 2016-002 (50000)
Allowable Costs/Cost Principles
Documentation of Employee Time & Effort

Federal Program Information

Program:	Special Education - IDEA Preschool Grants
CFDA #:	84.173
Program Year:	2015-16
Federal Agency:	US Department of Education
Pass-through Agency:	California Department of Education
Pass-through Identifying Number:	13430

Criteria or Specific Requirement

CFR section 200.430(i)(1)(vii) requires that when federal funds are expended employees charged to the program document their time and effort to support the charges. When the employee is paid from a single program or cost objective the documentation must be completed periodically (at least semi-annually). When the employee is paid from multiple programs or cost objectives the documentation must be completed monthly. Documentation under both methods must be an after-the-fact certification of actual effort expended.

Condition

In our review of employees charged to the Special Education program, we noted that the district was unable to provide periodic or monthly certifications of actual effort expended in accordance with CFR section 200.430(i)(1)(vii) for one employee charged to the program. Upon further investigation, it was discovered that this employee should not have been charged to the Special Education program.

Cause

The District hired for a new position and instead of creating a new position in the position control system, the District utilized an old position that had previously existed for the federal award program. The account code was not updated in the position control system, causing the District to code all payroll and benefits for this employee to a program which the employee did not work in. In addition, when the District obtained documentation of employees working in federal programs, there was not a process to reconcile that documentation to the actual payroll records charged to the programs. As a result, no adjustment was made to correct the miscoding of the employee.

Effect

An employee was incorrectly charged to the Special Education - IDEA Preschool Grant. In addition, because there is not currently a reconciliation process, the district is at risk of incorrectly charging additional employees and not catching the error in a timely manner.

Questioned Costs

Actual payroll and benefits charged for the employee incorrectly coded to the program are questioned as follows:

Program:	Special Education - IDEA Preschool Grants
CFDA #:	84.173
Program Year:	2015-16
Questioned Costs:	$46,942

Context

We reviewed documentation of employee time & effort for 20 employees out of 66 employees charged to the Special Education Cluster. Of the 20 employees reviewed for the cluster we reviewed 3 employees specific to the Special Education - IDEA Preschool Grant out of 6 charged to that program within the cluster. Our sample size was selected haphazardly and therefore is not a statistically valid sample. We identified only one instance of the error.

Repeat Finding?

The finding is not a repeat finding.

Recommendation

Establish position control procedures to ensure that new hires are correctly recorded to the position they are hired for. In addition, establish procedures to reconcile documentation of employee time and effort completed for federal programs to payroll records. If an employee is incorrectly charged to a program prepare journal entries to move costs out of the program prior to closing of the books.

LEA's Response

The Human Resources department has already changed the position title to remove Special Education from the description for the position found to be in error by this audit finding. Payroll expense distribution has been changed to the correct program expenditures. The District also created written procedures for time accounting and provided revised PAR forms. The procedure requires submission of all time accounting documents to Business Services Department for verification that the payroll distribution is correct and reconciles monthly PARS to the budget distribution. Certifications are to be verified and signed by a supervisor having firsthand knowledge of the work performed by the employee and after-the-fact certification. Business Services Department will identify employees charged to Federal Programs and send notices to Site or Department Supervisors. Human Resources is also developing a new Personnel Action Form to use when employees are newly hired or transfer positions that will require an approval by the Business Services Department to ensure they are correctly coded in payroll.

Finding 2016-003 (50000)
Special Tests & Provisions
Schoolwide Plans

Federal Program Information

Program:	Title I
CFDA #:	84.010
Program Year:	2015-16
Federal Agency:	US Department of Education
Pass-through Agency:	California Department of Education
Pass-through Identifying Number:	14329

Criteria or Specific Requirement

Verify that the schoolwide plan included the required core elements and components as identified in the Code of Federal Regulations (CFR) 34 Sections 200.26 and 200.28.

Condition

In our review of schoolwide plans, we noted that two of the five required components were not present in the plans. The plans were missing component 2, instruction by highly qualified professional staff, and component 5, transition plans for assisting preschool children in the successful transition to the schoolwide program.

Cause

Component 2, instruction by highly qualified professional staff was published in the school accountability report card rather than the school plan. The district had established policies and procedures to ensure that the students be instructed by highly qualified professional staff, but due to a clerical oversight it was not included in the school plan. Component 5, transition plans for assisting preschool children in the successful transition to the schoolwide program were not included in the schoolwide plan due to a clerical oversight. The District did not have a procedure in place to review required components and core elements when preparing the schoolwide plans.

Effect

2 out of the 5 required components were no included in the schoolwide plans.

Questioned Costs

Questioned costs consist of amounts expended for Title I in the schoolwide programs at Lindo Park Elementary School and Lemon Crest Elementary School.

Program:	Title I
CFDA #:	84.010
Program Year:	2015-16
Questioned Costs:	$97,163

Context

To operate a schoolwide program, a school must include in their plan the following three core elements:

1. Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
2. Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
3. Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26(c)).

A schoolwide plan also must include the following five components:

1. Schoolwide reform strategies (34 CFR section 200.28(a)).
2. Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
3. Strategies to increase parental involvement (34 CFR section 200.28(c)).
4. Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
5. Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)).

The District operates 2 Schoolwide programs at Lindo Park Elementary School and Lemon Crest Elementary School. The 2 missing components were absent from both schoolwide plans.

Repeat Finding?

The finding is not a repeat finding.

Recommendation

Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the schoolwide plans.

LEA's Response

Educational Services Department has modified each site's SPSA to reflect our focus on ensuring that our students are instructed by highly qualified professional staff as well as our transition plans for assisting preschool children in a successful transition to the schoolwide program. We have also conducted a School Site Council training for the District Advisory Board (DAC) and for sites whose councils have requested the training.

D. State Award Findings and Questioned Costs

Finding 2016-004 (40000)
Instructional Time

Criteria or Specific Requirement
In accordance with Education Code Section 46201(b)(3), a school district must offer minimum annual instructional minutes by grade level in order to receive longer day incentive funding. Grades 4-8 are required to offer a minimum of 54,000 annual instructional minutes.

Condition
In our review over instructional time, Lakeview Elementary and Lakeside Farms Elementary did not offer the required minimum annual instructional minutes for grades 4 and 5. Lakeside Farms Elementary School was short 240 minutes for grades 4 and 5 and Lakeview Elementary School was short 835 minutes for grades 4 and 5.

Cause
For the previous five fiscal years the District was able to reduce annual instructional minutes for up to five days. The expiration of that temporary reduction was the 2014-15 fiscal year. In 2015-16 the District assigned the responsibility of calculating instructional time and reviewing bell schedules to a new individual. It was not understood by the individual that the reduced minutes had expired and as such the District did not adjust bell schedules to ensure instructional minutes had been met.

Effect
Students in 4th and 5th grades at Lakeview Elementary and Lakeside Farms Elementary were short 835 minutes and 240 minutes, respectively, during the 2015-16 fiscal year. As a result the local control funding formula apportionment was overfunded based upon the percentage of instructional time.

Questioned Costs
$28,370

Questioned costs were calculated using the Instructional Time Penalties calculator prepared by the California Department of Education for 2015-16 and applying to the affected grade span ADA at the school sites short of instructional time. Lakeside Farms Elementary school ADA for grades 4 and 5 was 215.70 ADA at P2 with a shortage of 240 minutes resulting in an instructional time penalty of $6,625. Lakeview Elementary School ADA for grades 4 and 5 was 200.98 ADA at P2 with a shortage of 835 minutes resulting in an instructional time penalty of $21,745. Combined total instructional time penalty is $28,370.

Recommendation
Implement review procedure over instructional minute calculations and work with individual school sites to ensure bell (class) schedules are meeting the required minimum instructional minutes for each grade level.

LEA's Response

The business department will now be responsible (Educational Services was previously responsible) for collecting bell schedules and calculating instructional minutes to ensure minimum requirements are met. The Assistant Superintendent, Business Services, will review these calculations each year prior to the start of the school year. The District will submit a waiver to the State Board of Education for the insufficient minutes for the 2015-16 school year. Additional minutes have already been added to the instructional schedules at Lakeview Elementary (ten minutes per day) and Lakeside Farms Elementary (two minutes per day).

These added minutes meet the minimum requirement as well as make up the lost instructional minutes for the 2015-16 school year. These two school sites will maintain this instructional schedule for the next two school years, 2016-17 and 2017-18, in order to meet the Education Code Section 46206 requirements for the State Board of Education to waive the fiscal penalties associated with this audit finding.

Finding 2016-005 (40000)
LCFF Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify a sample of students claimed on the "1.18 - FRPM/English Learner/Foster Youth - Student List" report under the free or reduced price meal program to supporting documentation showing eligibility for the free or reduced price meal program. Supporting documentation can be a free and reduced priced meal eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or the county office of education, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits.

Condition

In our review of students reported as Free and Reduced Price Meal (FPRM) eligble on Form "1.18 – FRPM/English Learner/Foster Youth -Student List" we found that 2 of the 53 selected for testing were incorrectly designated as eligible under free or reduced price meal program (FRPM).

Questioned Costs

$11,631 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts of extrapolated errors.

Audit Adjustments to the counts are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	5,099	0	5,099
Unduplicated Pupil Counts:			
Free & Reduced Meal Program (FRPM	1,205	(46)	1,159
English Learners (ELAS)	58	0	58
Both FRPM & ELAS	149	0	149
Other Funded (Dir. Certification, etc.)	1,011	0	1,011
Total Unduplicated Pupil Counts	2,423	(46)	2,377

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

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

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

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

Cause
The District did not have controls in place to review and ensure that all students redesignated as Paid" were updated through the CALPADS system and that all students reported on the CALPADS 1.18 report had Free and Reduced Price Meal (FRPM) eligibility applications on file.

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

Recommendation
Implement a process to double check students reported for unduplicated pupil counts prior to the final re-certification date for CalPADS. Re-certify with corrected numbers for any known errors.

LEA's Response
There are three systems used to report the Free and Reduced Price Meal (FRPM) eligibility applications. Food Services Department has a system they use to enter the FRPM eligibility applications. The data from that system is then uploaded to the Student Information System and from there, it is uploaded to CALPADS. The District implemented a new student information system in 2015-16 and there was a lack of communication between departments in updating the data. We had several meetings with staff responsible in each department regarding accurate procedures and timelines for reporting the data. Communication between staff, routine uploads between systems, and multiple reviews of data before certification are now in place.

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2015-001 (10000) Attendance Reporting At Lakeside Middle School and Winter Gardens Elementary School we noted instances where attendance rosters were being verified and dated in excess of one month past the final attendance date for the period. In addition, at Lakeside Middle School monthly attendance rosters are being used instead of weekly attendance rosters. Provide training to attendance clerks to ensure understanding of the documentation requirements. Implement procedures to ensure attendance is verified timely by the teachers. In addition, at Lakeside Middle School we recommend weekly verification reports rather than monthly verification of attendance. The District may also consider submitting for approval of an electronic signature process to the California Department of Education to reduce the amount of paper and time utilized during the current approval process.	Implemented	

LAKESIDE UNION SCHOOL DISTRICT

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	001	Finding:	Cafeteria Inventory was overstated by $54,317.
		Questioned Costs:	CFDA #: N/A; Amount: N/A
		Status:	Implemented
		Corrective Action:	New practices have been implemented to ensure accurate and transparent communication between Business Services and Food Services department staff. A new form has been created to assist in providing accurate data between departments for year-end closing adjustments, including inventory. In addition, both departments will meet regularly during the year to review the budget. Also, Food Services department staff will review the Unaudited Actuals before completion.
		Completion Date:	December 14, 2016
2016	002	Finding:	An employee was incorrectly charged to the Special Education - IDEA Preschool Grant.
		Questioned Costs:	CFDA #: 84.173; Amount: $46,942
		Status:	Implemented
		Corrective Action:	The Human Resources department has already changed the position title to remove Special Education from the description for the position found to be in error by this audit finding. Payroll expense distribution has been changed to the correct program expenditures. The District also created written procedures for time accounting and provided revised PAR forms.
		Completion Date:	December 14, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	003	Finding:	Schoolwide plans were missing 2 out of 5 required components.
		Questioned Costs:	CFDA # 84.010; Amount $97,163
		Status:	Implemented
		Corrective Action:	Educational Services Department has modified each site's SPSA to reflect our focus on ensuring that our students are instructed by highly qualified professional staff as well as our transition plans for assisting preschool children in a successful transition to the schoolwide program. We have also conducted a School Site Council training for the District Advisory Board (DAC) and for sites whose councils have requested the training.
		Completion Date:	December 14, 2016
2016	004	Finding:	Annual Instructional Minutes were short 835 minutes for grades 4 and 5 at two school sites.
		Questioned Costs:	CFDA # N/A; Amount $163,963
		Status:	In Progress
		Corrective Action:	The business department will now be responsible (Educational Services was previously responsible) for collecting bell schedules and calculating instructional minutes to ensure minimum requirements are met. The Assistant Superintendent, Business Services, will review these calculations each year prior to the start of the school year. The District will submit a waiver to the State Board of Education for the insufficient minutes for the 2015-16 school year. Additional minutes have already been added to the instructional schedules at Lakeview Elementary (ten minutes per day) and Lakeside Farms Elementary (two minutes per day).
		Completion Date:	In Progress as of December 14, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	005	Finding:	Unduplicated Pupil Counts were overstated causing supplemental and concentration grants to be over funded.

Questioned Costs:

CFDA #	Amount
N/A	$11,631

Status: Implemented

Corrective Action: We had several meetings with staff responsible in each department regarding accurate procedures and timelines for reporting the data. Communication between staff, routine uploads between systems, and multiple reviews of data before certification are now in place.

Completion Date: December 14, 2016