LAKESIDE UNION SCHOOL DISTRICT

PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)

GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2016

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
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LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING

On November 4, 2008 the Lakeside Union School District was successful under Proposition V in obtaining authorization from the District voters to issue up to $79,550,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

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

The Lakeside Union School District Proposition V and Measure L Citizen's Oversight Committee as of June 30, 2016 was comprised of the following members:

Name	Position
*Vacant	Chair
Ariel Kagan	Member
Michael McGrath	Member
Jose Gonzales	Member
Jan McMillian	Member
Tyree Dorward	Member
Erin Garcia	Member
Todd Owens	Member
Aimee McReynolds	Member
Joanne Branch	Member

- * The district has solicited and advertised in the local media for the open position as of June 30, 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

Governing Board Members and
Citizens' Oversight Committee
Lakeside Union School District
Lakeside, California

Report on Financial Statements

We have audited the accompanying financial statements of Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District, which comprise the balance sheet as of June 30, 2016, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Emphasis of Matter

As discussed in Note B, the financial statements present Building Fund (21-39) which is specific to Proposition V, and is not intended to present fairly the financial position and results of operations of Lakeside Union School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition V and Measure L and Building Fund (21-39) of Lakeside Union School District as of June 30, 2016, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 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
April 21, 2017

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
GENERAL OBLIGATION BONDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2016

This section of Lakeside Union School District's (District) Proposition V and Measure L Building Fund annual financial and performance audit report presents management's discussion and analysis of the Bond Program during the year ending June 30, 2016. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the Proposition V and Measure L Bond Program's financial and program performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's Proposition V and Measure L Building Fund basic financial statements. The Fund's financial statements comprise three components: 1) management's discussion and analysis; 2) the Building Fund's financial statements; and 3) the performance audit required by law.

The District accounts for Proposition V and Measure L activity in the District's Building Fund (Fund 21-39). The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

On November 4 2008, the voters of the Lakeside Union School District community voted to approve Proposition V to authorize the District to issue up to $79.5 million of general obligation bonds to finance certain specified capital projects and facilities. In 2009 and 2010, the District issued two series of these bonds, in the amount of $34.8 million to fund projects. In November 2014, the voters approved the reauthorization of $31 million of general obligation bonds with the passage of Measure L. A portion of Measure L bonds were issued in 2015 that provide for district technology purchases. In 2018, the District plans to issue a second series of the Measure L bonds to complete facility projects.

FINANCIAL HIGHLIGHTS

- The fund balance for Proposition V and Measure L Building Fund is $983,713 as of June 30, 2016, which is approximately $2.2 million lower than the balance on June 30, 2015 as projects and technology purchases were completed.
- Revenues consisted of interest earned and other local income. Revenue totaled $9,427 as of June 30, 2016 as compared to $8,926 in June 2015.
- Expenditures and other outgo as of June 30, 2016 totaled $2.2 million as compared to $4.4 million in June 2015.

Balance Sheet

The District's Proposition V and Measure L Building Fund balance as of June 30, 2016 was $983,713 (see Table below).

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
GENERAL OBLIGATION BONDS
June 30, 2016

	Building Fund		Total % Change over 2014-15
	2014-15	**2015-16**	
Cash	$ 3,161,984	$ 1,027,812	-67.5%
Accounts Receivable	$ 4,546	$ 2,221	-51.1%
Due from Other Funds	$ -	$ 5,646	100.0%
Total Assets	$ 3,166,530	$ 1,035,679	-67.3%
Accounts Payable	$ 553	$ 12,785	2211.9%
Due to Other Funds	$ 1,553	$ 39,181	2422.9%
Total Liabilities	$ 2,106	$ 51,966	2367.5%
Fund Balance	$ 3,164,424	$ 983,713	-68.9%
Total Liabilities and Fund Balance	$ 3,166,530	$ 1,035,679	-67.3%

Fund Balance

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of $2.2 million are only for Proposition V and Measure L voter authorized expenses (see Table below).

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
GENERAL OBLIGATION BONDS
June 30, 2016

	Building Fund		Total % Change over 2014-15
Revenues	**2014-15**	**2015-16**	
Interest	$ 8,926	$ 7,909	-11.4%
Other local revenue	$ -	$ 1,518	100.0%
Total revenues	**$ 8,926**	**$ 9,427**	5.6%
Expenditures			
Classified salaries	$ 105,246	$ 30,473	-71.0%
Taxes and employee benefits	$ 42,542	$ 11,470	-73.0%
Material and supplies	$ 897,784	$ 1,574,248	75.3%
Services/other operating	$ 538,584	$ 45,121	-91.6%
Capital outlay	$ 168,420	$ 528,826	214.0%
Main building Contractor	$ 2,687,288	$ -	-100.0%
Total expenditures	**$ 4,439,864**	**$ 2,190,138**	-50.7%
Other Sources (Uses)			
Proceeds for sale of bonds	$ 9,085,000	$ -	-100%
Interest expense	$ (3,486,738)	$ -	-100%
Bond principal repayment	$ (2,292,178)	$ -	-100%
Other uses	$ (80,355)	$ -	-100%
Total Other Sources	**$ 3,225,729**	$ -	-100%
Net Change in Fund Balance	**$ (1,205,209)**	**$ (2,180,711)**	80.9%
Fund Balance as of June 30, 2015	$ 4,369,633	$ 3,164,424	
Fund Balance as of June 30, 2016	**$ 3,164,424**	**$ 983,713**	-68.9%

PROPOSITION V AND MEASURE L BUILDING FUND PROJECT- YEAR IN REVIEW

During the 2015-16 fiscal year, the following technology related projects were completed at the Lakeside Union School District:

- The primary bond expenditure in 2015-16 was the purchase of 1,800 iPads for every student in grades 4th through 8th to take home.
- 250 teacher laptops were purchased to replace those that had reached the end of their life cycle.
- The security camera system and related infrastructure was upgraded to improve security at all LUSD sites.
- Wireless infrastructure was upgraded districtwide in order to support the increased number of devices accessing the District's network. The upgraded system provides faster network speeds, more simultaneous device connections, and be expanded as needed.

Requests for information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's Proposition V and Measure L Building Fund finances to demonstrate the District's accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Services Department at Lakeside Union School District, 12335 Woodside Avenue, Lakeside, CA 92040, or call 619-390-2640.

FINANCIAL STATEMENTS

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Balance Sheet
June 30, 2016

ASSETS		
Current Assets		
Cash in County Treasury	$	1,027,812
Accounts receivable		2,221
Due from other funds		5,646
TOTAL ASSETS	$	1,035,679
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	12,785
Due to other funds		39,181
Total Liabilities		51,966
Net Assets		
Temporarily restricted		983,713
TOTAL LIABILITIES AND NET ASSETS	$	1,035,679

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2016

REVENUE	
Revenue	
Interest	$ 7,909
Other local revenue	1,518
Total Revenues	9,427
TOTAL REVENUE	9,427
EXPENDITURES	
Classified salaries	30,473
Taxes and employee benefits	11,470
Materials and supplies	1,574,248
Services and other operating expenditures	45,121
Capital outlay	528,826
TOTAL EXPENDITURES	2,190,138
NET CHANGES IN FUND BALANCE	(2,180,711)
FUND BALANCE, BEGINNING OF YEAR	3,164,424
FUND BALANCE, END OF YEAR	$ 983,713

A. Definition of the Fund

The Building Fund (21-39) was formed to account for renovation of schools in the Lakeside Union School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008

B. Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Structure

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

Basis of Accounting

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

Building Fund (21-39) are maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

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

Encumbrances

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

Use of Estimates

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

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

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.

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 inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2016 the District's Proposition V and Building Fund (21-39) did not have any Deferred Inflows or Deferred Outflows of Resources.

Fair Value Measurements

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

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

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

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. 7 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 inter-period 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 non-employer 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 non-employer contributing entities for defined benefit pensions.

3. Timing of employer recognition of revenue for the support of non-employer 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.

C. Cash and Investments

1. *Cash in County Treasury*

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2016, the portion of cash in county treasury attributed to Building Fund (21-39) was $1,027,812. Assumption 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. *Analysis of Specific Deposit and Investment Risks*

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

a. *Credit Risk*

Credit Risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf by Standard & Poors.

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Building Fund (21-39) was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District's Building Fund (21-39) was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

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

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Building Fund (21-39) was not exposed to foreign currency risk.

f. *Investment Accounting Policy*

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

General Authorizations

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

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

D. Accounts Receivable

As of June 30, 2016 accounts receivable consisted of:

Interest	2,221
Total Accounts Receivable	$ 2,221

E. Accounts Payable

As of June 30, 2016 accounts payable consisted of:

	Accounts Payable
Vendors payable	12,784
Total Accounts Payable	$ 12,784

F. Interfund Transactions

Interfund receivable and payable balances at June 30, 2016 are as follows:

Due to Other Funds	$ 39,181

G. General Obligation Bonds

In April 2009, the District issued $21,833,149, 2008 Election, Series A, General Obligation Bonds. the Series A Bonds were authorized at an election of the registered voters of the District held on November 8, 2008 which authorized a total of $79,550,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District.

The Series A bonds were the first issue pursuant to such authorization and consisted of $20,050,000 in current interest bonds with interest rates ranging from 3.00% to 5.00% and annual maturities from August 2012 through August 2033, and $1,783,149 in capital appreciation bonds with interest rates ranging from 5.67% to 6.03% and annual maturities from August 2024 through August 2027. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2009.

In September 2010, the District issued $12,982,09, 2008 Election, Series B, General Obligation Bonds, The Series B Bonds were authorized at an election of the registered voters of the District held on November 8, 2008 which authorized a total of $79,5550,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District

The Series B bonds were the second issue pursuant to such authorization and consisted of $12,982,209 in capital appreciation bonds with interest rates ranging from 6.14% to 6.49% and annual maturities from August 2034 through August 2050. Interest on the bonds accrues from the date of delivery and is payable as accreted interest beginning August 1, 2034 and through the maturity date August 1, 2050.

In April 2015, the District issued $2,900,000 2014 Election, Series A, General Obligation Bonds. The Series A Bonds were authorized at an election of the registered voters of the District held on November 4, 2014 which authorized the issuance of the bonds under the November 8, 2008 election. The bonds mature August 1, 2018.

In June 2015, the District issued $6,185,000 of Series 2015A, General Obligation Refunding Bonds, The Refunding Bonds were issued to refund a portion of the District's outstanding General Obligation Bonds, 2008 Election, Series B and to pay costs of issuance of the Series 2015A Refunding Bonds. The Bonds consisted of current interest bonds with interest rates ranging from 2.00% to 4.00% with annual maturities from August 2016 through August 2035.

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2016 is as follows:

Year Ended 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
Total	$ 40,808,180	$ 74,176,761	$ 16,140,740	$ 131,125,681

Note: Amounts represented in the repayment schedule of accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have been accrued as of June 30, 2016. Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The district inputs the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

H. Construction Commitments

As of June 30, 2016 the Building Fund (21-39) did not have any commitments with respect to unfinished capital projects.

I. Pension Plans

The following information presented below is the District's government-wide pension plan amounts for CalPERS. The bond fund is 0.326% of the District's total classified salaries.

1. General Information About the Pension Plan

<u>Plan Descriptions</u>

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on their website.

<u>Benefits Provided</u>

CalPERS provides 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 Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

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

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

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 about 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%.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for CalPERS is as follows:

	District Share of CalPERS	Bond Share of CalPERS
Contributions - Employer	$ 860,916	$ 12,170
Contributions - Employee (paid by employer)	518,030	7,323
Total Contributions	$ 1,378,946	$ 19,493

Pension expense for the CalPERS plan was as follows:

	District Share of CalPERS	Bond Share of CalPERS
Change in Net Pension Liability	$ 2,579,332	$ 828
Increases/(Decreases) Resulting from Changes in		
Deferred Outflows and Deferred Inflows of Resouces for:		
Contributions made subsequent to measurement date	(46,146)	8,736
Difference between actual and expected experience	(596,076)	(8,426)
Changes in assumptions	640,833	9,059
Changes in proportionate share	(281,056)	24,534
Net Difference between projected and actual experience	(2,203,387)	(34,208)
Total Pension Expense	$ 93,500	$ 523

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 the plan as follows:

	District Proportionate Share of Net Pension Liability	Bond Proportionate Share of Net Pension Liability
CalPERS	$ 9,694,322	$ 137,039

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the 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 plan relative to the projected contributions of all participating employers, actuarially determined.

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

	CalPERS
Proportion - June 30, 2014	0.0012%
Proportion - June 30, 2015	0.0009%
Change - Increase (Decrease)	-0.0003%

For the year ended June 30, 2015, the District recognized pension expense for CalPERS of ($93,500) of which ($523) is attributable to the Bond Fund. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to CalPERS pensions from the following sources:

	District Share of CalPERS		Bond Share of CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,292,569	$ -	$ 10,734	$ -
Differences between actual and expected experience	601,993	-	1,962	-
Changes in assumptions	-	(640,833)	-	(2,089)
Change in employer's proportion and differences between			-	-
the employer's contributions and the employer's			-	-
proportionate share of contributions	976,036	-	3,182	-
Net difference between projected and actual earnings			-	-
on plan investments	1,592,189	(1,848,071)	5,191	(6,025)
Total	$ 6,462,787	$ (2,488,904)	$ 21,069	$ (8,114)

$3,292,569, of which $10,734 is attributable to the Bond Fund, reported as deferred outflows of resources related to CalPERS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	District Share of CalPERS		Bond Share of CalPERS	
Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 792,555	$ (775,419)	$ 2,584	$ (2,528)
2018	792,555	(775,419)	2,584	(2,528)
2019	792,555	(775,418)	2,584	(2,528)
2020	792,556	(162,648)	2,584	(530)
Total	$ 3,170,221	$ (2,488,904)	$ 10,335	$ (8,114)

Actuarial Assumptions

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

	CalPERS	
Valuation Date	June 30, 2014	
Measurement Date	June 30, 2015	
Actuarial Cost Method	Entry Age - Normal Cost Method for CalPERS	
Actuarial Assumptions:		
Discount Rate	7.65%	
Inflation	2.75%	
Payroll Growth	3.00%	
Projected Salary Increase	3.20%-10.80%	(1)
Investment Rate of Return	7.65%	(2)
Mortality	0.00125-0.45905	(3)

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

Discount Rate

The discount rate used to measure the total pension liability was 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 the plan, 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 the plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS websites.

The CalPERS discount rate was increased from 7.50% in 2015 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. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is 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, CalPERS expects 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. 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, 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.

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

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

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 the Plan, calculated using the discount rate for the 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:

	CalPERS	CalPERS
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 15,778,318	$ 223,044
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 9,694,322	$ 137,039
1% Increase	8.65%	8.65%
Net Pension Liability	$ 4,635,074	$ 65,522

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

CalPERS - District Share	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015	$ 42,801,618	$ 35,686,628	$ 7,114,990
Changes for the year:			
Adjustment for Change in Proportionate Share	2,113,442	1,762,121	351,321
Service cost	1,068,732	-	1,068,732
Interest	3,388,727	-	3,388,727
Differences between expected and actual experience	745,095	-	745,095
Changes in assumptions	(801,042)	-	(801,042)
Contributions - Employer	-	860,916	(860,916)
Contributions - Employee	-	518,030	(518,030)
Net plan to plan resource movement	-	(85)	85
Net investment income	-	836,814	(836,814)
Benefit payments, including refunds			-
of employee contributions	(2,192,771)	(2,192,771)	-
Administrative expenses	-	(42,174)	42,174
Net Changes	4,322,183	1,742,851	2,579,332
Balance at June 30, 2016	$ 47,123,801	$ 37,429,479	$ 9,694,322

CalPERS - Bond Share	Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balance at June 30, 2015	$	819,408	$	683,197	$	136,211
Changes for the year:						
Adjustment for Change in Proportionate Share		(184,484)		(153,817)		(30,667)
Service cost		15,108		-		15,108
Interest		47,906		-		47,903
Differences between expected and actual experience		10,533		-		10,533
Changes in assumptions		(11,324)		-		(11,324)
Contributions - Employer		-		12,170		(12,170)
Contributions - Employee		-		7,323		(7,323)
Net plan to plan resource movement		-		(1)		1
Net investment income		-		11,829		(11,829)
Benefit payments, including refunds		-		-		-
of employee contributions		(30,997)		(30,997)		-
Administrative expenses		-		(596)		596
Net Changes		(153,258)		(154,089)		828
Balance at June 30, 2016	$	666,147	$	529,108	$	137,039

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

J. Postemployment Benefits Other Than Pension Benefits

The following information presented below is the District's government-wide liability for OPEB. The bond fund is 0.1044% of the District's total salaries.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-16, the District contributed $395,060 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

	District Wide	Bond Fund
Annual required contribution	$ 1,045,131	$ 11
Interest on net OPEB obligation	76,094	1
Adjustment to annual required contribution	(157,471)	(2)
Annual OPEB cost (expense)	963,754	10
Contribution made	(511,924)	(5)
Increase in net OPEB obligation	451,830	5
Net OPEB obligation, beginning of year	2,825,782	29
Net OPEB obligation, end of year	$ 3,277,612	$ 34

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2014, 2015 and 2016 was as follows:

June 30,	Cost	Contributed	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

Bond Fund

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	10	52.85%	24
2015	10	43.38%	29
2016	10	53.12%	34

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

K. Subsequent Events

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 inter-period 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 inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

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

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

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

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

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

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

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

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

- The names of the governments that entered into the agreements.

- The specific taxes being abated.

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

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

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

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

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

GASB Statement No. 79

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

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

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

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

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

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

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

OTHER INDEPENDENT AUDITORS’ REPORTS

P. Robert Wilkinson, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board Members and
Citizens' Bond Oversight Committee
Lakeside Union School District
Lakeside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Proposition V and Measure L Building Fund (21-39) of Lakeside Union School District, which comprise the balance sheet as of June 30, 2016, and the related statements of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 21, 2017

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board Members and
Citizens' Bond Oversight Committee
Lakeside Union School District
Lakeside, California

We were engaged to conduct a performance audit of the Lakeside Union School District Proposition V and Measure L Building Fund (21-39) for the year ended June 30, 2016.

Management's Responsibility for Performance Compliance

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

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Measure L Building Fund (21-39) of Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition V and Measure L General Obligation Bond for the fiscal year ended June 30, 2016. The objective of the audit of compliance applicable to Lakeside Union School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition V Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.

- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

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

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Internal Control Evaluation

Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste , or abuse regarding Proposition V and Measure L
- Prevent material misstatement in the Proposition V and Measure L
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Proposition 39 Measure L funds

The Construction Manager submits a pay application the District that defines the total cost of the upcoming project. The Assistant Superintendent of Business Services verifies that the requested purchase is an allowable project cost in accordance with the Measure L Ballot initiative approved by local voters, as well as the Board approved budget. Based on this information the Executive Assistant initiates a requisition for the total amount of the project and submits it to the Purchasing Technician for conversion to Purchase Order. The Purchase Order is then forwarded to the Assistant Superintendent of Business Services for final review and signature. Throughout the course of the project the Construction Manager will submit invoices to the District in the form of pay applications. These applications will be reviewed and signed by the Architect and Assistant Superintendent of Business Services before being forwarded to Account Payable who verifies that the charges are consistent with amounts of the approved contract/purchase order. The Accounts Payable Clerk then processes the invoice through the accounts payable system of the District for payment. The checks and back up documents are they audited by the San Diego County Office of Education Commercial Warrant Audit Unit to ensure compliance with procurement regulations and good business practices before payment is released.

Results of Procedures Performed

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

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Proposition 39, Measure L funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Proposition V ballot measures. Our testing included a sample of vendors and payroll payments, totaling approximately $1,988,297 or approximately 91% of total expenditures for the year.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of Proposition V and Measure L ballot measures and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed:

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

Results of Procedures Performed:

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

Citizens' Oversight Committee

Procedures Performed:

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

Results of Procedures Performed:

We have determined the Lakeside Union School District's Proposition V and Measure L Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

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

Opinion on Performance

The results of our tests indicated that the District expended Proposition 39 Measure L Building Fund (21) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1 (b)(3)(C) of the California Constitution.

Purpose of the Report

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

Wilkinson Hadley King + Co LLP

El Cajon, California
April 21, 2017

FINDINGS AND RECOMMENDATION

There were no findings to report.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION V AND MEASURE L BUILDING FUND (21-39)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

There were no findings reported for the year ended June 30, 2015.