

**HACIENDA LA PUENTE UNIFIED
SCHOOL DISTRICT**

**AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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For the Fiscal Year Ended June 30, 2016

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Financial Section

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A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Education
Hacienda La Puente Unified School District
City of Industry, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hacienda La Puente Unified School District, as of and for the fiscal 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 48 and 49, schedule of funding progress on page 50, schedule of proportionate share of the net pension liability on page 51, and schedule of contributions on page 52 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part 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*, and is also not a required part of the basic financial statements. The supplementary information on pages 56 to 60 and the schedule of expenditures of federal awards on page 61 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 55 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.



Murrieta, California
November 4, 2016

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

This discussion and analysis of Hacienda La Puente Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position in governmental activities increased by \$35.8 million.
- Governmental expenses were about \$272.1 million. Revenues were \$307.9 million.
- The District spent approximately \$31.6 million in new capital assets during the year. These expenditures were incurred primarily from the General Fund and Special Reserve Fund for Capital Outlay Projects.
- Grades K-12 average daily attendance (ADA) decreased by 293, or 1.6%.

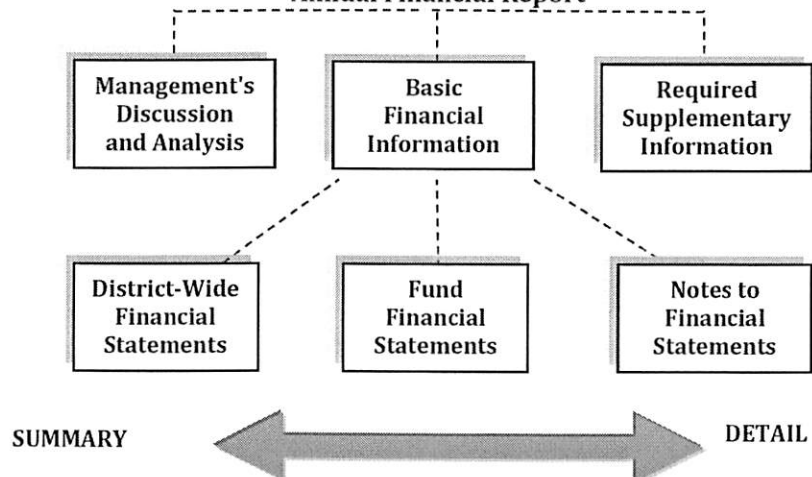
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1. Organization of Hacienda La Puente Unified School District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Proprietary funds* – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims, vision insurance, and health and welfare costs.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2016, than it was the year before – increasing to \$139.2 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015*	
Current assets	\$ 248,085,463	\$ 224,519,732	\$ 23,565,731
Capital assets	273,539,934	249,876,866	23,663,068
Total assets	521,625,397	474,396,598	47,228,799
Total deferred outflows	28,394,101	12,180,308	16,213,793
Current liabilities	59,689,772	43,816,786	15,872,986
Long-term liabilities	326,656,285	299,719,571	26,936,714
Total liabilities	386,346,057	343,536,357	42,809,700
Total deferred inflows	24,456,510	39,628,164	(15,171,654)
Net investment in capital assets	182,796,787	155,571,944	27,224,843
Restricted	121,540,039	107,434,243	14,105,796
Unrestricted	(165,119,895)	(159,593,802)	(5,526,093)
Total net position	\$ 139,216,931	\$ 103,412,385	\$ 35,804,546

* As restated

Changes in net position, governmental activities. The District's total revenues increased 15.5% to \$307.9 million (See Table A-2). The increase is due primarily to federal and state funding.

The total cost of all programs and services increased 14.2% to \$272.1 million. The District's expenses are predominantly related to educating and caring for students, 82.3%. The purely administrative activities of the District accounted for just 3.6% of total costs. A significant contributor to the increase in costs was due to negotiated salary increases.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2016	2015*	
Total Revenues	\$ 307,916,443	\$ 266,576,398	\$ 41,340,045
Total Expenses	272,111,897	238,215,320	33,896,577
Increase (decrease) in net position	\$ 35,804,546	\$ 28,361,078	\$ 7,443,468

* As restated

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$167.1 million, which is above last year's restated ending fund balance of \$163.2 million. The primary cause of the increased fund balance is due to increases in federal and state funding.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased \$13.0 million due to the District expecting to receive additional federal and state funds.
- Salaries and benefits – increased \$7.6 million due to negotiated salary increases.
- Books and supplies – increased \$8.9 million to reflect re-budget of carryover funds.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$14.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$27.0 million. Actual revenues were \$30.0 million more than anticipated, and expenditures were \$11.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016 that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$31.6 million in new capital assets, related to ongoing modernization programs. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$7.9 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
Land	\$ 6.4	\$ 6.4	\$ -
Construction in progress	7.5	7.9	(0.4)
Improvements of sites	12.2	10.8	1.4
Buildings	242.4	222.2	20.2
Equipment	5.0	2.6	2.4
Total	<u>\$ 273.5</u>	<u>\$ 249.9</u>	<u>\$ 23.6</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$326.6 million in general obligation bonds, certificates of participation, lighting project leases, capital leases, and employment benefits – an increase of 9.0% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
General obligation bonds	\$ 92.8	\$ 96.2	\$ (3.4)
Certificates of participation	29.7	32.4	(2.7)
Lighting project lease	3.9	5.5	(1.6)
Capital leases	0.4	0.6	(0.2)
Other postemployment benefits	17.9	14.9	3.0
Net pension liability	178.3	146.9	31.4
Compensated absences	3.6	3.2	0.4
Total	<u>\$ 326.6</u>	<u>\$ 299.7</u>	<u>\$ 26.9</u>

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the Hacienda La Puente Unified School District budget for the 2016-17 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (626) 933-3869.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 238,404,679
Accounts receivable	9,383,592
Inventories	297,192
Non-depreciable assets	13,891,281
Depreciable assets	388,581,106
Less accumulated depreciation	<u>(128,932,453)</u>
Total Assets	<u>521,625,397</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	<u>28,394,101</u>
LIABILITIES	
Accounts payable	58,860,541
Unearned revenues	829,231
Long-term liabilities:	
Due within one year	9,094,472
Due after one year	<u>317,561,813</u>
Total Liabilities	<u>386,346,057</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>24,456,510</u>
NET POSITION	
Net investment in capital assets	182,796,787
Restricted for:	
Capital projects	28,719,118
Debt service	29,709,105
Categorical programs	63,111,816
Unrestricted	<u>(165,119,895)</u>
Total Net Position	<u>\$ 139,216,931</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instructional services:				
Instruction	\$ 151,127,153	\$ 2,342,746	\$ 41,924,932	\$ (106,859,475)
Instruction-related services:				
Supervision of instruction	31,015,883	84,483	16,081,012	(14,850,388)
Instructional library, media and technology	724,066	-	2,516	(721,550)
School site administration	15,058,287	15,357	1,355,998	(13,686,932)
Pupil service				
Home-to-school transportation	2,439,028	-	-	(2,439,028)
Food services	12,019,979	892,161	10,441,973	(685,845)
All other pupil services	11,589,948	50,997	4,053,795	(7,485,156)
General administration services:				
Data processing services	3,962,031	-	-	(3,962,031)
All other general administration	5,698,944	146,478	4,114,860	(1,437,606)
Plant services	21,801,148	365,294	4,444,847	(16,991,007)
Ancillary services	1,292,331	3,215	33,637	(1,255,479)
Community services	91,152	-	-	(91,152)
Enterprise activities	25,934	-	-	(25,934)
Interest on long-term debt	5,190,676	-	-	(5,190,676)
Other outgo	2,092,746	518	977,474	(1,114,754)
Depreciation (unallocated)	7,982,591	-	-	(7,982,591)
Total governmental activities	<u>\$ 272,111,897</u>	<u>\$ 3,901,249</u>	<u>\$ 83,431,044</u>	<u>\$ (184,779,604)</u>
General Revenues:				
Property taxes				34,702,036
Federal and state aid not restricted to specific purposes				172,697,270
Interest and investment earnings				893,803
Miscellaneous				<u>12,291,041</u>
Total general revenues				<u>220,584,150</u>
Change in net position				<u>35,804,546</u>
Net position - July 1, 2015, as originally stated				86,254,964
Adjustments for restatement				<u>17,157,421</u>
Net position - July 1, 2015, as restated				<u>103,412,385</u>
Net position - June 30, 2016				<u>\$ 139,216,931</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT**Balance Sheet - Governmental Funds****June 30, 2016**

	General Fund	Adult Education Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 85,155,400	\$ 53,764,713	\$ 33,431,574	\$ 23,299,368	\$ 11,523,674	\$ 207,174,729
Accounts receivable	6,714,408	811,143	22,990	39,778	1,708,296	9,296,615
Inventories	270,843	-	-	-	26,349	297,192
Total Assets	<u>\$ 92,140,651</u>	<u>\$ 54,575,856</u>	<u>\$ 33,454,564</u>	<u>\$ 23,339,146</u>	<u>\$ 13,258,319</u>	<u>\$ 216,768,536</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 21,904,919	\$ 21,301,521	\$ 4,735,446	\$ -	\$ 866,713	\$ 48,808,599
Unearned revenues	756,113	-	-	-	73,118	829,231
Total Liabilities	<u>22,661,032</u>	<u>21,301,521</u>	<u>4,735,446</u>	<u>-</u>	<u>939,831</u>	<u>49,637,830</u>
Fund Balances						
Nonspendable	320,843	-	-	-	26,349	347,192
Restricted	25,004,512	33,116,742	28,719,118	23,339,146	11,988,180	122,167,698
Committed	-	157,593	-	-	303,959	461,552
Assigned	37,000,000	-	-	-	-	37,000,000
Unassigned	7,154,264	-	-	-	-	7,154,264
Total Fund Balances	<u>69,479,619</u>	<u>33,274,335</u>	<u>28,719,118</u>	<u>23,339,146</u>	<u>12,318,488</u>	<u>167,130,706</u>
Total Liabilities and Fund Balances	<u>\$ 92,140,651</u>	<u>\$ 54,575,856</u>	<u>\$ 33,454,564</u>	<u>\$ 23,339,146</u>	<u>\$ 13,258,319</u>	<u>\$ 216,768,536</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds **\$ 167,130,706**

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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 at historical cost:	402,472,387	
Accumulated depreciation:	<u>(128,932,453)</u>	273,539,934

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: (1,667,378)

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was: (17,944,223)

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 relating to pensions are reported.

Deferred outflows of resources	28,394,101	
Deferred inflows of resources	<u>(24,456,510)</u>	3,937,591

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements consist of:

General obligation bonds	92,783,595	
Certificates of participation	29,726,673	
Capital leases	4,368,098	
Net pension liability	178,273,888	
Compensated absences	<u>3,559,808</u>	(308,712,062)

Internal Service Funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Because internal service funds operate for the benefit of governmental activities, assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position. Net position for internal service funds was: 22,932,363

Total net position - governmental activities **\$ 139,216,931**

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016

	General Fund	Adult Education Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 178,174,523	\$ -	\$ -	\$ -	\$ -	\$ 178,174,523
Federal sources	11,866,452	2,494,839	-	-	13,850,101	28,211,392
Other state sources	43,841,282	23,387,628	-	-	4,167,088	71,395,998
Other local sources	17,755,236	2,867,066	58,711	70,352	9,877,699	30,629,064
Total Revenues	251,637,493	28,749,533	58,711	70,352	27,894,888	308,410,977
EXPENDITURES						
Current:						
Instruction	134,289,579	10,688,662	-	-	5,401,996	150,380,237
Instruction-related services:						
Supervision of instruction	9,604,124	17,920,114	-	-	1,883,372	29,407,610
Instructional library, media and technology	679,340	-	-	-	-	679,340
School site administration	14,276,313	836,810	-	-	-	15,113,123
Pupil support services:						
Home-to-school transportation	2,442,938	-	-	-	-	2,442,938
Food services	15,624	-	-	-	11,878,521	11,894,145
All other pupil services	10,686,230	612,142	-	-	345,328	11,643,700
Ancillary services	1,295,888	-	-	-	-	1,295,888
Community services	91,163	-	-	-	-	91,163
General administration services:						
Data processing services	3,966,932	-	-	-	-	3,966,932
Other general administration	9,364,845	-	-	-	8	9,364,853
Plant services	19,358,046	1,397,901	-	-	628,157	21,384,104
Transfers of indirect costs	(2,582,951)	1,745,709	-	-	837,242	-
Capital outlay	17,242,214	2,040,414	12,006,030	-	357,001	31,645,659
Intergovernmental transfers	2,092,746	-	-	-	-	2,092,746
Debt service:						
Principal	1,663,216	-	-	2,290,000	2,050,954	6,004,170
Interest	97,396	-	-	1,333,238	5,608,931	7,039,565
Total Expenditures	224,583,643	35,241,752	12,006,030	3,623,238	28,991,510	304,446,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,053,850	(6,492,219)	(11,947,319)	(3,552,886)	(1,096,622)	3,964,804
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	20,141,914	-	20,141,914
Interfund transfers out	(20,141,914)	-	-	-	-	(20,141,914)
Total Other Financing Sources and Uses	(20,141,914)	-	-	20,141,914	-	-
Net Change in Fund Balances	6,911,936	(6,492,219)	(11,947,319)	16,589,028	(1,096,622)	3,964,804
Fund Balances, July 1, 2015, as originally stated	62,567,683	22,609,133	40,666,437	6,750,118	13,415,110	146,008,481
Adjustments for Restatement	-	17,157,421	-	-	-	17,157,421
Fund Balances, July 1, 2015, as restated	62,567,683	39,766,554	40,666,437	6,750,118	13,415,110	163,165,902
Fund Balances, June 30, 2016	\$ 69,479,619	\$ 33,274,335	\$ 28,719,118	\$ 23,339,146	\$ 12,318,488	\$ 167,130,706

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds \$ 3,964,804

Amounts reported for governmental activities in the statement of activities are different because:

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	31,645,659	
Depreciation expense	(7,982,591)	
Net:		23,663,068

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 a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: 6,004,170

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was: 816,940

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the fund financial statements. However, it is accrued as an expense in the government-wide financial statements in the period that the interest accretes. Accreted interest additions, less amounts paid, for this period were: 1,016,993

In governmental funds, postemployment benefits costs (OPEB) are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (3,072,796)

In governmental 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: 72,417

In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it 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: 14,955

In the statement of activities, certain operating expenses - such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts paid by: (388,991)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net change in internal service funds was: 3,712,985

Change in net position of governmental activities \$ 35,804,545

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2016

	Governmental Activities Internal Service Funds
ASSETS	
Cash	\$ 31,229,950
Accounts receivable	<u>86,977</u>
Total assets	<u>31,316,927</u>
LIABILITIES	
Accounts payable	43,053
Estimated liability for open and IBNR claims	<u>8,341,511</u>
Total liabilities	<u>8,384,564</u>
NET POSITION	
Unrestricted	<u><u>\$ 22,932,363</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2016**

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Self-insurance premiums	\$ 27,951,808
Other revenues	<u>5,742,393</u>
Total operating revenues	<u>33,694,201</u>
OPERATING EXPENSES	
Personnel costs	311,601
Claims and other operating expenses	<u>29,859,527</u>
Total operating expenses	<u>30,171,128</u>
Operating income (loss)	3,523,073
NON-OPERATING REVENUES	
Interest income	<u>189,912</u>
Change in net position	3,712,985
Net position, July 1, 2015	<u>19,219,378</u>
Net position, June 30, 2016	<u><u>\$ 22,932,363</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT**Statement of Cash Flows – Proprietary Funds****For the Fiscal Year Ended June 30, 2016**

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 27,951,808
Cash received from other activities	5,742,393
Cash paid for operating costs	<u>(28,834,064)</u>
Net cash provided (used) by operating activities	4,860,137
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>169,448</u>
Net increase (decrease) in cash	5,029,585
Cash, July 1, 2015	<u>26,200,365</u>
Cash, June 30, 2016	<u><u>\$ 31,229,950</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 3,523,073
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts payable	<u>1,337,064</u>
Net cash provided (used) by operating activities	<u><u>\$ 4,860,137</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT**Statement of Fiduciary Net Position****June 30, 2016**

	Agency Funds			Totals
	Payroll Clearing Fund	I.R.S. Workshop	Student Body Funds	
ASSETS				
Cash	\$ 296,007	\$ 1,105,822	\$ 775,153	\$ 2,176,982
Total assets	<u>\$ 296,007</u>	<u>\$ 1,105,822</u>	<u>\$ 775,153</u>	<u>\$ 2,176,982</u>
LIABILITIES				
Due to regulatory agencies	\$ 296,007	\$ 1,105,822	\$ -	\$ 1,401,829
Due to student groups	<u>-</u>	<u>-</u>	<u>775,153</u>	<u>775,153</u>
Total liabilities	<u>\$ 296,007</u>	<u>\$ 1,105,822</u>	<u>\$ 775,153</u>	<u>\$ 2,176,982</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hacienda La Puente Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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 as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Hacienda La Puente Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Hacienda La Puente USD Facilities Financing Authority (the Authority) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Authority are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment of certificates of participation, interest and related costs.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Capital Projects Fund for Blended Component Units: This fund is used to account for entities that are considered blended component units of the District under generally accepted accounting principles (GAAP). For the District, this includes the Financing Authority described in Note 1.A.

Debt Service Funds:

Bond Interest and Redemption Fund: This Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Tax Override Fund: This Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the debt is fully paid.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds.

Workers Compensation Fund: This fund is used to account for resources committed to pay the costs of the District's self-insured workers compensation program.

Medical/Dental Fund: This fund is used to account for resources committed to pay the costs of the District's health and welfare benefits and claims for its employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District also maintains agency funds for the payroll clearing fund, and a fund for the Innovative Rehabilitation Services (IRS) to account for the collection of revenues and expenditures for participating clients.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 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. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

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 fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to 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, in which the District receives value without directly giving equal value in return, include 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. 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.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. 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 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.

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. 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 combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category. These items recognize the District's proportionate share of the deferred outflows of resources related to its pension plans, as more fully described in the footnote entitled "Pension Plans".

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has items that are reported as deferred inflows of resources. These items recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Net Position (continued)

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes 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, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. 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 the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application* (Issued 02/15)

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.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (Issued 06/15)

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 non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants* (Issued 12/15)

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.

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 in that external investment pool at amortized cost for financial reporting purposes.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 179,914,298	\$ 31,229,950	\$ 211,144,248	\$ 296,007
Deposits:				
Cash on hand and in banks	3,135	-	3,135	1,880,975
Cash in revolving fund	50,000	-	50,000	-
Cash with fiscal agent	27,207,296	-	27,207,296	-
Total deposits	27,260,431	-	27,260,431	1,880,975
Total cash	\$ 207,174,729	\$ 31,229,950	\$ 238,404,679	\$ 2,176,982

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2016, \$2,027,702 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consisted of the following:

	General Fund	Adult Education Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Federal Government:							
Categorical aid programs	\$ 3,208,831	\$ 656,350	\$ -	\$ -	\$ 1,453,184	\$ 5,318,365	\$ -
State Government:							
Lottery	2,503,392	-	-	-	-	2,503,392	-
Special education	142,382	-	-	-	-	142,382	-
Categorical aid programs	477,621	-	-	-	-	477,621	-
Other state	-	31,477	-	-	208,857	240,334	-
Local:							
Other local	185,369	-	10,437	-	29,079	224,885	-
Interest	196,813	123,316	12,553	39,778	17,176	389,636	86,977
Total	\$ 6,714,408	\$ 811,143	\$ 22,990	\$ 39,778	\$ 1,708,296	\$ 9,296,615	\$ 86,977

NOTE 4 - INTERFUND ACTIVITIES

Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2016, consisted of the following:

General Fund transfer to Debt Service Fund for future debt payments	<u>\$ 20,141,914</u>
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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 5 – FUND BALANCES

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	Adult Education Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Stores inventories	270,843	-	-	-	26,349	297,192
Total Nonspendable	320,843	-	-	-	26,349	347,192
Restricted:						
Categorical programs	25,004,512	-	-	-	-	25,004,512
Adult education program	-	33,116,742	-	-	-	33,116,742
Child development program	-	-	-	-	717,273	717,273
Child nutrition program	-	-	-	-	4,251,940	4,251,940
Capital projects	-	-	28,719,118	-	649,008	29,368,126
Debt service	-	-	-	23,339,146	6,369,959	29,709,105
Total Restricted	25,004,512	33,116,742	28,719,118	23,339,146	11,988,180	122,167,698
Committed:						
Adult education program	-	157,593	-	-	-	157,593
Child development program	-	-	-	-	303,959	303,959
Total Committed	-	157,593	-	-	303,959	461,552
Assigned:						
Unused vacation	750,000	-	-	-	-	750,000
Donations	500,000	-	-	-	-	500,000
Wireless network implementation	3,000,000	-	-	-	-	3,000,000
Technology residual	1,500,000	-	-	-	-	1,500,000
Manage cashflow	25,500,000	-	-	-	-	25,500,000
Textbook implementation	1,750,000	-	-	-	-	1,750,000
Reduce combo classes	1,000,000	-	-	-	-	1,000,000
Mitigate cashflow	3,000,000	-	-	-	-	3,000,000
Total Assigned	37,000,000	-	-	-	-	37,000,000
Unassigned:						
Reserve for economic uncertainties	7,000,000	-	-	-	-	7,000,000
Remaining unassigned balances	154,264	-	-	-	-	154,264
Total Unassigned	7,154,264	-	-	-	-	7,154,264
Total	\$ 69,479,619	\$ 33,274,335	\$ 28,719,118	\$ 23,339,146	\$ 12,318,488	\$ 167,130,706

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:				
Land	\$ 6,396,337	\$ -	\$ -	\$ 6,396,337
Construction in progress	7,945,509	3,567,705	4,018,270	7,494,944
Total capital assets not being depreciated	14,341,846	3,567,705	4,018,270	13,891,281
Capital assets being depreciated:				
Improvement of sites	19,105,782	2,127,058	-	21,232,840
Buildings	318,416,259	27,089,085	-	345,505,344
Equipment	18,962,841	2,880,081	-	21,842,922
Total capital assets being depreciated	356,484,882	32,096,224	-	388,581,106
Accumulated depreciation for:				
Improvement of sites	(8,307,556)	(715,905)	-	(9,023,461)
Buildings	(96,239,308)	(6,795,764)	-	(103,035,072)
Equipment	(16,402,998)	(470,922)	-	(16,873,920)
Total accumulated depreciation	(120,949,862)	(7,982,591)	-	(128,932,453)
Total capital assets being depreciated, net	235,535,020	24,113,633	-	259,648,653
Governmental activities capital assets, net	\$ 249,876,866	\$ 27,681,338	\$ 4,018,270	\$ 273,539,934

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 85,129,002	\$ -	\$ 2,050,954	\$ 83,078,048	\$ 2,181,223
Accreted interest	6,923,910	692,053	1,709,046	5,906,917	1,983,777
Unamortized premium	4,187,051	-	388,421	3,798,630	388,421
Total - Bonds	96,239,963	692,053	4,148,421	92,783,595	4,553,421
Certificates of Participation:					
Principal payments	28,160,000	-	2,290,000	25,870,000	2,405,000
Unamortized premium	4,285,192	-	428,519	3,856,673	428,519
Total - COPs	32,445,192	-	2,718,519	29,726,673	2,833,519
Lighting Project Lease	5,463,851	-	1,515,837	3,948,014	1,546,180
Capital Leases	567,463	-	147,379	420,084	161,352
Other Postemployment Benefits	14,871,427	3,072,796	-	17,944,223	-
Net Pension Liability	146,960,858	31,313,030	-	178,273,888	-
Compensated Absences	3,170,817	388,991	-	3,559,808	-
Totals	\$ 299,719,571	\$ 35,466,870	\$ 8,530,156	\$ 326,656,285	\$ 9,094,472

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. Capital leases payments are made by the General Fund. Accumulated vacation will be paid for by the fund for which the employee worked.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

2000 Issue

On September 20, 2000, the District issued a General Obligation Bond in the amount of \$39,999,899. The bonds were issued to fund the costs of renovation and modernizing District schools and constructing new classrooms, libraries, and science labs, as authorized in the District bond proposition submitted at an election of the registered voters of the District held on June 6, 2000.

The bonds consist of: a) Current Interest Serial Bonds of \$12,165,000 with interest rates ranging from 3.85% to 6.00% and fully maturing on August 1, 2014, b) a Term Bond of \$5,700,000 with a stated interest rate of 5.5% due on August 1, 2020, c) a Term Bond of \$19,410,000 with a stated interest rate of 5.25% due on August 1, 2025, and d) Capital Appreciation Bonds of \$2,724,899 with yields to maturity ranging between 6.5% and 6.75% and fully maturing on August 1, 2018. As described below, the District refunded \$29,790,000 principal amount of the outstanding Current Interest Bonds in 2005. At June 30, 2016, the principal balance outstanding was \$2,091,173.

2003 Issue

On October 2, 2003, the District issued General Obligation Bonds, Election of 2000, Series B (2003) in the amount of \$59,998,226. The bonds consist of: a) \$52,145,000 current interest serial bonds with interest rates ranging from 2.25% to 5.25%, and b) \$7,853,226 of capital appreciation bonds with interest rates ranging from 4.58% to 5.665% and maturing August 1, 2014 through 2028. The bonds were issued to finance the costs of renovating and modernizing District schools and constructing new classrooms, libraries, science labs, and to pay costs of issuance of the bonds. As described below, the District refunded \$50,132,239 of these bonds by issuing refunding bonds in 2007-08. At June 30, 2016, the principal balance outstanding was \$2,821,875.

2005 Refunding Issue

On June 16, 2005, the District issued Refunding Bonds in the amount of \$31,725,000. The bonds were issued as Serial bonds with stated interest rates ranging from 3.5% to 5.0% and fully maturing on August 1, 2024. At June 30, 2016, the principal balance outstanding on these bonds was \$23,615,000.

2007 Refunding Issue

On October 4, 2007, the District issued Refunding Bonds in the amount of \$55,485,000. The bonds were issued as Serial bonds with a stated interest rate of 4.347% and fully maturing on August 1, 2027. At June 30, 2016, the principal balance outstanding on these bonds was \$54,550,000.

Of the \$55.5 million net proceeds from the Refunding Bonds, an amount equal to \$55,428,805 was used to purchase U.S. government securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2000 Series B bonds. As a result of the refunding, the District expects to realize \$1.5 million in savings over the life of the debt. At June 30, 2016, the principal balance outstanding on the defeased debt was \$13,350,000. Because these funds are held for the purpose of paying defeased debt, the assets and related liabilities are not reflected in these financial statements, in accordance with GASB No. 7.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7- GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
2000A	9/20/2000	8/1/2018	3.85%-6.75%	\$ 39,999,899	\$ 2,724,899	\$ -	\$ 633,726	\$ 2,091,173
2000B	10/2/2003	8/1/2018	2.25%-5.665%	59,998,226	3,704,103	-	882,228	2,821,875
2005 Refunding	6/16/2005	8/1/2024	3.5%-5.0%	31,725,000	23,915,000	-	300,000	23,615,000
2007 Refunding	10/4/2007	8/1/2027	4.347%	55,485,000	54,785,000	-	235,000	54,550,000
					<u>\$ 85,129,002</u>	<u>\$ -</u>	<u>\$ 2,050,954</u>	<u>\$ 83,078,048</u>
Accreted Interest Component								
2000A					\$ 4,265,940	\$ 416,607	\$ 1,066,274	\$ 3,616,273
2004B					2,657,970	275,446	642,772	2,290,644
					<u>\$ 6,923,910</u>	<u>\$ 692,053</u>	<u>\$ 1,709,046</u>	<u>\$ 5,906,917</u>

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

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 2,181,223	\$ 5,854,992	\$ 8,036,215
2017-2018	2,327,467	6,110,078	8,437,545
2018-2019	2,389,358	6,470,391	8,859,749
2019-2020	5,530,000	3,653,500	9,183,500
2020-2021	6,275,000	3,367,625	9,642,625
2021-2026	44,690,000	11,004,375	55,694,375
2026-2028	19,685,000	868,875	20,553,875
Total	<u>\$ 83,078,048</u>	<u>\$ 37,329,836</u>	<u>\$ 120,407,884</u>

B. Lighting Project Leases

1. On March 8, 2013, the District approved a lighting project lease, authorizing approval of the execution and delivery of an equipment/lease purchase agreement, for \$631,761. The agreement is for the acquisition, purchase, financing and leasing of certain equipment for the public benefit.

Future payments due under the agreement are as follows:

Fiscal Year	Principal	Interest	Payment
2016-17	\$ 129,791	\$ 7,370	\$ 137,161
2017-18	133,425	3,736	137,161
Total	<u>\$ 263,216</u>	<u>\$ 11,106</u>	<u>\$ 274,322</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7- GENERAL LONG-TERM DEBT (continued)

B. Lighting Project Leases (continued)

2. On June 18, 2014, the District approved a lighting project lease, authorizing approval of the execution and delivery of an equipment/lease purchase agreement, for \$5,705,025. The agreement is for the acquisition, purchase, financing and leasing of certain equipment for the public benefit.

Future payments due under the agreement are as follows:

Fiscal Year	Principal	Interest	Payment
2016-17	\$ 1,416,389	\$ 63,989	\$ 1,480,378
2017-18	1,443,714	36,664	1,480,378
2018-19	755,135	8,811	763,946
2019-20	46,029	1,121	47,150
2020-21	23,531	226	23,757
Total	<u>\$ 3,684,798</u>	<u>\$ 110,811</u>	<u>\$ 3,795,609</u>

C. Capital Leases

The District leases equipment and portable classrooms valued at \$801,653 under agreements that provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's useful life.

Fiscal Year	Principal	Interest	Payment
2016-17	\$ 161,352	\$ 34,924	\$ 196,276
2017-18	171,245	19,341	190,586
2018-19	72,181	5,156	77,337
2019-20	15,306	234	15,540
Total	<u>\$ 420,084</u>	<u>\$ 59,655</u>	<u>\$ 479,739</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

D. Certificates of Participation

On April 21, 2015, the Hacienda La Puente Unified School District Financing Authority issued certificates of participation in the amount of \$28,160,000. The certificates were issued to provide funds to enhance District infrastructure, fund a reserve account, and pay the costs of issuing the certificates. The interest rate of the certificates ranges from 2.0% and 5.0% and mature on June 1, 2025. At June 30, 2016, the principal balance outstanding was \$25,870,000.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7- GENERAL LONG-TERM DEBT (continued)

D. Certificates of Participation (continued)

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 2,405,000	\$ 1,220,600	\$ 3,625,600
2017-2018	2,480,000	1,148,450	3,628,450
2018-2019	2,575,000	1,049,250	3,624,250
2019-2020	2,705,000	920,500	3,625,500
2020-2021	2,840,000	785,250	3,625,250
2021-2025	12,865,000	1,647,250	14,512,250
Total	\$ 25,870,000	\$ 6,771,300	\$ 32,641,300

NOTE 8 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, Hacienda La Puente Unified School District was self-insured for property losses. The District is a member of Southern California ReLiEF for any claims over the member retained limit of \$25,000. Southern California ReLiEF (JPA) will pay any claims up to \$250,000 and claims exceeding \$250,000 are handled by Schools Association for Excess Risk (SAFER) (JPA) up to \$249,750,000. The District is self-insured for liability losses. The District is a member of Southern California ReLiEF (JPA) for any claims over the member retained limit of \$10,000. Southern California ReLiEF (JPA) pays any liability claims up to \$1,000,000. Claims over \$1,000,000 are handled by SAFER (JPA) up to \$20,000,000.

Workers' Compensation

For fiscal year 2016, the District was self-funded for workers compensation, with excess coverage for claims over \$500,000 provided by the Schools Alliance for Workers' Compensation Excess (SAWCX) public entity risk pool.

Employee Medical Benefits

The District is self-funded for medical, dental, and vision benefits.

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – RISK MANAGEMENT (continued)

The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2016:

	Workers' Compensation
Liability Balance, July 1, 2014	\$ 6,460,508
Claims and changes in estimates	27,988,431
Claims payments	<u>(27,428,121)</u>
Liability Balance, June 30, 2015	7,020,818
Claims and changes in estimates	29,859,527
Claims payments	<u>(28,538,834)</u>
Liability Balance, June 30, 2016	<u>\$ 8,341,511</u>
Assets available to pay claims at June 30, 2016	<u>\$ 15,849,134</u>

NOTE 9 – JOINT VENTURES

The Hacienda La Puente Unified School District participates in the Riverside County Employer/Employee Partnership (REEP) for Benefits (JPA) public entity risk pools for health benefits. The Hacienda La Puente Unified School District pays monthly premiums for each of its group health insurance plans.

The JPA is governed by a board consisting of a representative from each member district. Each governing board member controls the operations of its district independent of any influence by the Hacienda La Puente Unified School District beyond the District's representation on the governing boards.

The member districts are independently accountable for their fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Hacienda La Puente Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

Audited financial information for REEP is shown below:

	REEP JPA June 30, 2015
Total Assets	\$ 21,675,035
Total Liabilities	7,865,808
Net Position	<u>\$ 13,809,227</u>
Total Revenues	\$ 94,795,817
Total Expenses	<u>100,456,332</u>
Net Increase (decrease) in Net Position	<u>\$ (5,660,515)</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30.

NOTE 11 - PENSION PLANS

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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS 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 the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District 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 the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 - PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under 2% at 55, or 1.0 percent at age 52 for members under 2% at 62, increasing to a maximum of 2.5 percent at age 63 for members under 2% at 55, or age 67 for members under 2% at 62. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 - PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

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

	CalSTRS	CalPERS
Employer contributions	\$ 10,579,461	\$ 4,088,207
Employee contributions paid by employer	-	-
Employer contributions paid by State	6,221,014	-

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

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 135,321,240
CalPERS	42,952,648
Total Net Pension Liability	\$ 178,273,888

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	CalPERS
Proportion - June 30, 2014	0.1910%	0.3113%
Proportion - June 30, 2015	0.2010%	0.2914%
Change - Increase (Decrease)	0.0100%	-0.0199%

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 11 - PENSION PLANS (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$13,893,991. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,667,668	\$ -
Differences between actual and expected experience	2,454,807	(2,261,250)
Changes in assumptions	-	(2,639,130)
Adjustment due to differences in proportions	4,247,302	-
Net differences between projected and actual earnings on plan investments	7,024,324	(19,556,130)
	<u>\$ 28,394,101</u>	<u>\$ (24,456,510)</u>

The total amount of \$14,667,668 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (3,408,814)
2018	(2,624,151)
2019	(425,674)
2020	(323,036)
2021	(323,036)
Thereafter	-

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	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 - PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the 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 one quarter of one percent.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 - PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 204,324,540	\$ 69,909,011
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 135,321,240	\$ 42,952,648
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 77,973,930	\$ 20,536,628

Pension Plan Fiduciary Net Position

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

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 - PENSION PLANS (continued)

C. Payable to the Pension Plans

At June 30, 2016, the District reported a payable of \$198,778 and \$241,068 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2016.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Hacienda La Puente Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	96
Active plan members*	1,900
Total	1,996

*As of March 1, 2015, actuarial valuation

Plan Descriptions and Contribution Information

	<u>Certificated*</u>	<u>Classified - CSEA*</u>	<u>Classified - SEIU*</u>
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	Choice:	Choice:	Choice:
	5 years fully paid, but not beyond age 65;***	5 years fully paid, but not beyond age 65;	5 years fully paid, but not beyond age 65;
	or 50% paid to 65***	or 50% paid to 65	or 50% paid to 65
Required Service	15 years	15 years**	15 years
Minimum Age	55	55**	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	Active cap	Active cap	Active cap

*Non-bargained benefits follow the appropriate employee group above.

**Those hired prior to 1/1/03 can retire as early as age 50 with 10 years of service.

***Certain grandfathered retirees entitled to benefits to the end of the school year in which retiree reaches age 65; and may collect 50% after fully paid years exhausted.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$1,512,607.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 4,651,625
Interest on net OPEB obligation	669,214
Adjustment to ARC	<u>(735,436)</u>
Annual OPEB cost	4,585,403
Contributions made	<u>(1,512,607)</u>
Increase (decrease) in net OPEB obligation	3,072,796
Net OPEB obligation, beginning of year	14,871,427
Net OPEB obligation, end of year	<u><u>\$ 17,944,223</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 4,585,403	33.0%	\$ 17,944,223
2015	4,598,277	37.1%	14,871,427
2014	3,263,103	37.1%	11,980,248

Funded Status and Funding Progress - OPEB Plans

As of March 1, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$31.8 million and the unfunded actuarial accrued liability (UAAL) was \$31.8 million.

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	March 1, 2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.5%
Inflation	2.75%
Healthcare cost trend rate	4.0%

NOTE 13 - ADJUSTMENTS FOR RESTATEMENT

The beginning net position of the Statement of Activities was restated by \$17,157,421 due to the recognition of adults in correctional revenues from prior years. This restatement is also shown on the Statement of Revenues, Expenditures and Changes in Fund Balance in the Adult Education Fund for the same amount.

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Required Supplementary Information

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 176,405,192	\$ 175,900,185	\$ 178,174,523	\$ 2,274,338
Federal	10,542,658	11,658,509	11,866,452	207,943
Other State	20,563,851	32,769,887	43,841,282	11,071,395
Other Local	1,130,000	1,351,627	17,755,236	16,403,609
Total Revenues	208,641,701	221,680,208	251,637,493	29,957,285
Expenditures				
Current:				
Certificated Salaries	87,284,390	94,603,629	94,463,383	140,246
Classified Salaries	29,195,373	29,109,885	28,827,466	282,419
Employee Benefits	41,773,864	42,099,445	46,947,265	(4,847,820)
Books and Supplies	13,488,498	22,357,925	22,357,015	910
Services and Other Operating Expenditures	20,856,727	22,759,171	22,759,008	163
Indirect Costs	(2,080,450)	(2,245,316)	(2,582,951)	337,635
Capital Outlay	10,600,045	11,699,067	8,102,172	3,596,895
Intergovernmental Transfers	2,775,444	14,444,697	1,949,673	12,495,024
Debt Service	1,618,378	1,618,378	1,760,612	(142,234)
Total Expenditures	205,512,269	236,446,881	224,583,643	11,863,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,129,432	(14,766,673)	27,053,850	41,820,523
Other Financing Sources and Uses				
Interfund Transfers Out	(7,451,489)	(7,451,489)	(20,141,914)	(12,690,425)
Total Other Financing Sources and Uses	(7,451,489)	(7,451,489)	(20,141,914)	(12,690,425)
Net Change in Fund Balance	(4,322,057)	(22,218,162)	6,911,936	29,130,098
Fund Balances, July 1, 2015	62,567,683	62,567,683	62,567,683	-
Fund Balances, June 30, 2016	\$ 58,245,626	\$ 40,349,521	\$ 69,479,619	\$ 29,130,098

*On-behalf payments of \$5,822,225 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances and are included in the actual amounts above.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Adult Education Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal	\$ 2,235,211	\$ 2,366,566	\$ 2,494,839	\$ 128,273
Other State	15,114,338	15,114,338	23,387,628	8,273,290
Other Local	3,065,124	3,123,484	2,867,066	(256,418)
Total Revenues	20,414,673	20,604,388	28,749,533	8,145,145
Expenditures				
Current:				
Certificated Salaries	4,248,215	4,427,454	4,427,454	-
Classified Salaries	2,491,088	2,551,936	2,551,936	-
Employee Benefits	2,631,026	2,262,150	2,513,702	(251,552)
Books and Supplies	2,840,657	2,763,782	2,763,781	1
Services and Other Operating Expenditures	5,767,689	10,113,204	19,426,202	(9,312,998)
Indirect Costs	1,196,865	1,247,825	1,745,709	(497,884)
Capital Outlay	1,770,000	2,591,269	1,812,968	778,301
Intergovernmental Transfers	-	425,419	-	425,419
Debt Service	144,134	72,466	-	72,466
Total Expenditures	21,089,674	26,455,505	35,241,752	(8,786,247)
Net Change in Fund Balances	(675,001)	(5,851,117)	(6,492,219)	(641,102)
Fund Balances, July 1, 2015, as restated	22,609,133	22,609,133	39,766,554	(17,157,421)
Fund Balances, June 30, 2016	\$ 21,934,132	\$ 16,758,016	\$ 33,274,335	\$ (17,798,523)

*On-behalf payments of \$251,552 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances and are included in the actual amounts above.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2010	\$ -	\$ 30,883,249	\$ 30,883,249	0.0%	\$ 135,843,031	22.7%
March 1, 2013	\$ -	\$ 24,462,863	\$ 24,462,863	0.0%	\$ 122,528,885	20.0%
March 1, 2015	\$ -	\$ 39,694,093	\$ 39,694,093	0.0%	\$ 134,173,762	29.6%

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset):		
CalSTRS	0.2010%	0.1910%
CalPERS	0.2914%	0.3113%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 135,321,240	\$ 111,614,670
CalPERS	\$ 42,952,648	\$ 35,340,130
District's covered-employee payroll:		
CalSTRS	\$ 91,961,700	\$ 87,301,552
CalPERS	\$ 34,206,006	\$ 32,664,333
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	147.1%	127.8%
CalPERS	125.6%	108.2%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 8,166,197	\$ 7,202,378
CalPERS	\$ 4,026,389	\$ 3,737,453
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 8,166,197	\$ 7,202,378
CalPERS	\$ 4,026,389	\$ 3,737,453
Contribution deficiency (excess):		
CalSTRS	\$ -	\$ -
CalPERS	\$ -	\$ -
District's covered-employee payroll:		
CalSTRS	\$ 91,961,700	\$ 87,301,552
CalPERS	\$ 34,206,006	\$ 32,664,333
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules are required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules:

General Fund:	
Employee Benefits	\$ 4,847,820
Debt Service	142,234
Interfund Transfers Out	12,690,425
Adult Education Fund:	
Employee Benefits	\$ 251,552
Services and Other Operating Expenditures	9,312,998
Indirect Costs	497,884

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Supplementary Information

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2016

The Hacienda La Puente Unified School District was established on July 1, 1970, and is comprised of an area of approximately 20 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District serves students in the diverse communities of City of Industry, Hacienda Heights, La Puente and portions of Valinda and West Covina. The District also has the largest correctional education program in the nation, serving students at eight correctional facilities throughout Los Angeles County. Learning facilities include: four comprehensive high schools, one alternative high school, one Community Day School, one special education school, sixteen K-5 elementary schools, six K-8 schools, four middle schools, one orthopedic unit for students with disabilities and extensive child development and early primary programs and three main Adult Education facilities and 32 satellite sites. The District also maintains an Administration Center, an Instructional Services Center, a Student Services Center, a Multilingual Assessment Center and a Curriculum Lab.

BOARD OF EDUCATION

Member	Office	Term Expires
Penny Fraumeni	President	November, 2017
Joseph Chang, Ph.D.	Vice President	November, 2017
Gino Kwok, Esq.	Clerk	November, 2019
Anthony Duarte	Member	November, 2017
Martin G. Medrano	Member	November, 2019

DISTRICT ADMINISTRATORS

Cynthia Parulan-Colfer,
Superintendent

Annie Bui,
Associate Superintendent, Business Services

Jill Rojas,
Assistant Superintendent, Human Resources

Dr. Judy Fancher, Ed.D.,
Assistant Superintendent, Curriculum, Assessment and Instruction, Pre K-12

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT***Schedule of Average Daily Attendance******For the Fiscal Year Ended June 30, 2016***

	Second Period Report	Annual Report
	Certificate No. (4D97D731)	Certificate No. (729EAA48)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	5,495.29	5,501.00
Fourth through Sixth	4,299.83	4,339.58
Seventh through Eighth	2,796.99	2,764.22
Ninth through Twelfth	5,963.26	5,963.36
Total Regular ADA	18,555.37	18,568.16
Special Education, Nonpublic, Nonsectarian Schools:		
Fourth through Sixth	1.28	1.24
Ninth through Twelfth	7.95	9.06
Total Special Education, Nonpublic, Nonsectarian Schools ADA	9.23	10.30
Community Day School:		
Seventh through Eighth	1.34	1.58
Ninth through Twelfth	6.55	6.44
Total Community Day School ADA	7.89	8.02
Total ADA	18,572.49	18,586.48
Classes for Adults:		
Adults in Correctional Facilities	4,636.74	3,576.92

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2016

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	49,912	180	Complied
Grade 1	50,400	50,988	180	Complied
Grade 2	50,400	50,988	180	Complied
Grade 3	50,400	50,988	180	Complied
Grade 4	54,000	54,545	180	Complied
Grade 5	54,000	54,545	180	Complied
Grade 6	54,000	54,576	180	Complied
Grade 7	54,000	54,602	180	Complied
Grade 8	54,000	54,602	180	Complied
Grade 9	64,800	65,224	180	Complied
Grade 10	64,800	65,224	180	Complied
Grade 11	64,800	65,224	180	Complied
Grade 12	64,800	65,224	180	Complied

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT***Schedule of Financial Trends and Analysis******For the Fiscal Year Ended June 30, 2016***

General Fund	(Budget) 2017 ³	2016*	2015	2014
Revenues and other financing sources	\$ 219,905,202	\$ 251,637,493	\$ 207,303,790	\$ 203,110,089
Expenditures	231,972,021	224,583,643	189,258,989	181,532,634
Other uses and transfers out	3,751,489	20,141,914	21,864,338	11,819,581
Total outgo	235,723,510	244,725,557	211,123,327	193,352,215
Change in fund balance (deficit)	(15,818,308)	6,911,936	(3,819,537)	9,757,874
Ending fund balance	\$ 53,661,311	\$ 69,479,619	\$ 62,567,683	\$ 66,387,220
Available reserves ¹	\$ 5,612,865	\$ 11,626,457	\$ 11,626,457	\$ 34,587,545
Available reserves as a percentage of total outgo	2.4%	4.8%	5.5%	17.9%
Total long-term debt	\$ 317,561,813	\$ 326,656,285	\$ 299,719,571	\$ 305,385,602
Average daily attendance at P-2 ²	18,184	18,572	18,865	19,266

The General Fund balance has increased by \$3,092,399 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$15,818,308. 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).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2016-17 fiscal year. Long-term debt has increased by \$21,270,683 over the past two years.

Average daily attendance has decreased by 694 over the past two years. A decrease of 388 ADA is anticipated during fiscal year 2016-17.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Excludes Adult Education ADA.

³ As of August, 2016.

*On-behalf payments of \$5,822,225 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances and are included in the actual amounts above.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2016***

***There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.***

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT***Reconciliation of Head Start Expenditures******For the Fiscal Year Ended June 30, 2016***

	Federal Expenditures	Local In-Kind Match
Basic Program 12.0-52100.0	\$ 3,278,809	\$ 819,703
Training & Technical Assistance (T&TA) 12.0-52102.0	32,469	8,117
2015-2016 Federal expenditures, per audit	<u>\$ 3,311,278</u>	<u>\$ 827,820</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 21,802	
School Breakfast Program - Especially Needy	10.553	13526	1,838,252	
National School Lunch Program	10.555	13523	7,411,119	
USDA Donated Foods	10.555	N/A	724,699	
Subtotal Child Nutrition Cluster				\$ 9,995,872
Total U.S. Department of Agriculture				9,995,872
U.S. Department of Education:				
PELL Grants	84.063	N/A		1,366,180
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	220,777	
Adult Secondary Education	84.002	13978	42,357	
English Literacy & Civics Education	84.002A	14109	103,425	
Institutionalized Adults (Section 225)	84.002	13971	73,366	
Subtotal Adult Education Cluster				439,925
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		4,928,817
Title I, Part C, Migrant Ed Cluster:				
Title I, Part C, Migrant Ed, Regular and Summer Program	84.011	14838	19,380	
Title I, Migrant Ed Summer Program	84.011	10005	5,439	
Subtotal Title I, Part C, Migrant Ed Cluster				24,819
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		856,279
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		435,794
Title III, Limited English Proficient (LEP) Student Program	84.365	10084		450,945
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		664,964
Title V, Part D, Character Education	84.215	10128		402,511
Career Technical Education Cluster:				
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	13924	169,437	
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	692,277	
Subtotal Career Technical Education Cluster				861,714
Passed through the Puente Hills SELPA:				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,542,926	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	92,402	
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	195,561	
Mental Health Services, Part B, Sec 611	84.027A	14468	76,083	
Subtotal Special Education Cluster (IDEA)				3,906,972
Early Intervention Grants	84.181	23761		40,000
Total U.S. Department of Education				14,378,920
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Federal Child Care, Center-Based	93.596	13609		737,374
Passed through Los Angeles County Office of Education:				
Head Start	93.600	10016		3,311,278
Total U.S. Department of Health & Human Services				4,048,652
Total Expenditures of Federal Awards				\$ 28,423,444

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. 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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Reconciliation of Head Start Expenditures

This schedule provides information on the detail of Head Start Expenditures that are reported on the Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the 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 financial statements.

The District did not elect to use the ten percent de minimus indirect cost rate.

Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' 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 Education
Hacienda La Puente Unified School District
City of Industry, 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 the governmental activities, each major fund, and the aggregate remaining fund information of Hacienda La Puente Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hacienda La Puente Unified School District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hacienda La Puente Unified 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 Hacienda La Puente Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hacienda La Puente Unified 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hacienda La Puente Unified School District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California

November 4, 2016



NIGRO & NIGRO^{PC}

A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Hacienda La Puente Unified School District
City of Industry, California

Report on State Compliance

We have audited Hacienda La Puente Unified School 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* that could have a direct and material effect on each of the Hacienda La Puente Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hacienda La Puente Unified School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Hacienda La Puente Unified 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 State program. However, our audit does not provide a legal determination of Hacienda La Puente Unified School District's compliance.

Other Matters

In connection with the audit referred to on the prior page, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	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	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Hacienda La Puente Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Nigro+Nigro, PC

Murrieta, California
November 4, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Hacienda La Puente Unified School District
City of Industry, California

Report on Compliance for Each Major Federal Program

We have audited Hacienda La Puente Unified 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 Hacienda La Puente Unified School District's major federal programs for the year ended June 30, 2016. Hacienda La Puente Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hacienda La Puente Unified 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 Hacienda La Puente Unified 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 Hacienda La Puente Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hacienda La Puente Unified 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 for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Hacienda La Puente Unified 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 Hacienda La Puente Unified 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 District's internal control over compliance.

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.



Murrieta, California
November 4, 2016

Findings and Questioned Costs

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None noted</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Section 200.516	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Low Income and Neglected</u>
<u>84.367</u>	<u>Title II, Part A, Improving Teacher Quality</u>
<u>84.027 & 84.173</u>	<u>Special Education Cluster</u>
<u>84.048</u>	<u>Career Technical Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 852,703</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2015-16.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2015-16.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2015-16.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

There were no findings or questioned costs in 2014-15.

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To the Board of Education
Hacienda La Puente Unified School District
City of Industry, California

In planning and performing our audit of the basic financial statements of Hacienda La Puente Unified School District for the fiscal year ending June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 4, 2016, on the financial statements of Hacienda La Puente Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash receipts at **Mesa Robles Middle, Workman High** and **Wilson High**, we found deposits that did not have sufficient supporting documentation retained to substantiate the collections.

Recommendation: Supporting documentation such as: tally sheets, ticket sales logs, cash receipts, and/or point of sale documentation should have been maintained for the transactions. Without these documents, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: During our testing of cash receipts testing at **Workman High**, we found deposits that were not made in a timely manner.

Recommendation: We recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts often occur during these times.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: During our testing at **Los Altos High, Mesa Robles Middle, and Orange Grove Middle**, we identified cash disbursements in our sample that were not approved by the District representative, the ASB advisor, and/or the student representative until after the expense had already been incurred.

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. We recommend that the sites require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in black ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
November 4, 2016