

SAN PASQUAL UNION SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**SAN PASQUAL UNION SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
San Pasqual Union School District
Escondido, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Christy White, CPA

Michael Ash, CPA

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Pasqual Union School District's basic financial statements. The supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of San Pasqual Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Pasqual Union School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 2, 2016

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

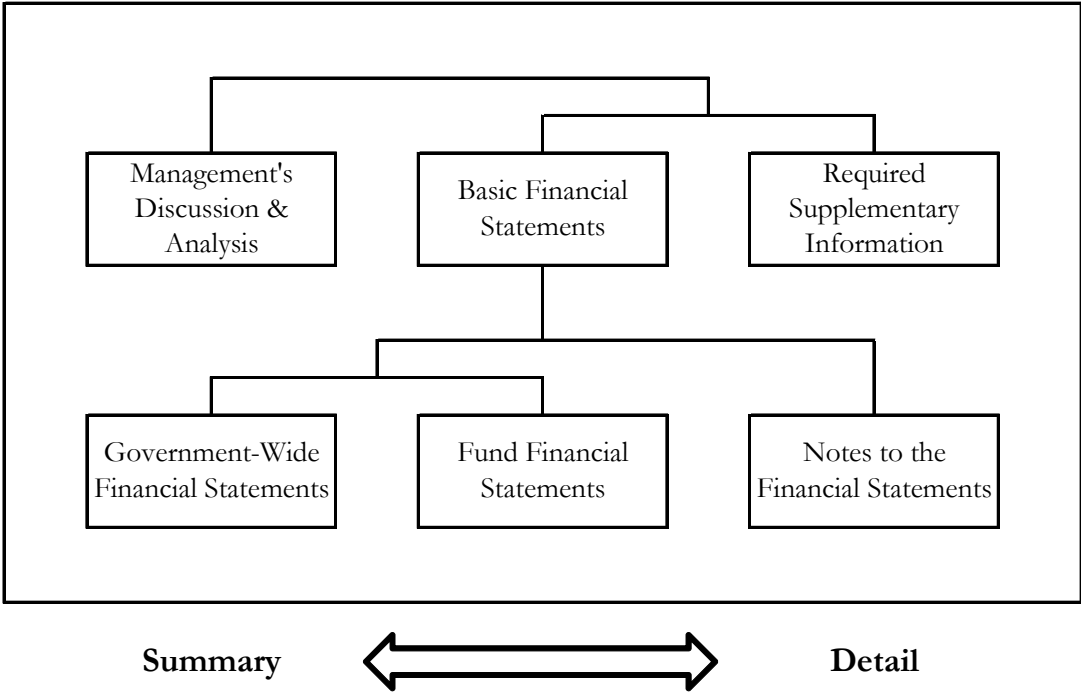
Our discussion and analysis of San Pasqual Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$1,751,249 for governmental activities and \$201,631 for business-type activities at June 30, 2016. This was an increase of \$287,680 and \$50,653 respectively, from the prior year.
- ▶ Total expenses for governmental activities were \$5,444,025, which were exceeded by overall revenues of \$5,731,705.
- ▶ Total expenses for business-type activities were \$198,434, which fell below overall revenues of \$249,087.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** 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.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-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 government'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 government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental and business-type activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's Governmental Activities was \$1,751,249 and \$201,631 for Business-Type Activities at June 30, 2016, as reflected separately among governmental and business-type activities in the table below. The District had Governmental Activities of \$(3,495,939) and Business-Type Activities of \$189,000 classified as unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

See the notes to the financial statements for further discussion.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
ASSETS						
Current and other assets	\$ 2,530,411	\$ 2,224,615	\$ 305,796	\$ 189,671	\$ 138,897	\$ 50,774
Capital assets	4,596,106	4,743,984	(147,878)	12,631	13,374	(743)
Total Assets	7,126,517	6,968,599	157,918	202,302	152,271	50,031
DEFERRED OUTFLOWS OF RESOURCES	477,927	285,919	192,008	-	-	-
LIABILITIES						
Current liabilities	252,133	288,007	(35,874)	671	1,293	(622)
Long-term liabilities	5,001,482	4,443,199	558,283	-	-	-
Total Liabilities	5,253,615	4,731,206	522,409	671	1,293	(622)
DEFERRED INFLOWS OF RESOURCES	599,580	1,059,743	(460,163)	-	-	-
NET POSITION						
Net investment in capital assets	4,251,516	4,344,038	(92,522)	12,631	13,374	(743)
Restricted	995,672	965,391	30,281	-	-	-
Unrestricted	(3,495,939)	(3,845,860)	349,921	189,000	137,604	51,396
Total Net Position	\$ 1,751,249	\$ 1,463,569	\$ 287,680	\$ 201,631	\$ 150,978	\$ 50,653

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 138,263	\$ 89,505	\$ 48,758	\$ -	\$ -	\$ -
Operating grants and contributions	846,890	1,086,059	(239,169)	-	-	-
General revenues						
Property taxes	1,491,773	1,354,564	137,209	-	-	-
Unrestricted federal and state aid	3,025,330	2,523,504	501,826	-	-	-
Other	229,449	127,010	102,439	249,087	203,439	45,648
Total Revenues	5,731,705	5,180,642	551,063	249,087	203,439	45,648
EXPENSES						
Instruction	3,440,275	3,081,888	358,387	-	-	-
Instruction-related services	498,031	490,427	7,604	-	-	-
Pupil services	378,445	387,420	(8,975)	-	-	-
General administration	322,816	245,702	77,114	-	-	-
Plant services	476,418	420,776	55,642	-	-	-
Ancillary and community services	5,690	4,369	1,321	-	-	-
Debt service	61,631	130,932	(69,301)	-	-	-
Other Outgo	66,065	35,407	30,658	-	-	-
Depreciation	194,654	272,837	(78,183)	-	-	-
Other	-	(331)	331	198,434	162,942	35,492
Total Expenses	5,444,025	5,069,427	374,598	198,434	162,942	35,492
Change in net position	287,680	111,215	176,465	50,653	40,497	10,156
Net Position - Beginning*	1,463,569	1,352,354	111,215	150,978	110,481	40,497
Net Position - Ending	\$ 1,751,249	\$ 1,463,569	\$ 287,680	\$ 201,631	\$ 150,978	\$ 50,653

* Beginning Net Position was restated for governmental activities only in 2015

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

	Net Cost of Services	
	2016	2015
Instruction	\$ 2,806,606	\$ 2,335,046
Instruction-related services	385,387	375,453
Pupil services	157,637	169,161
General administration	322,816	243,486
Plant services	521,800	367,619
Ancillary and community services	5,690	4,369
Debt service	61,631	130,932
Transfers to other agencies	2,651	(2,486)
Depreciation	194,654	272,837
Other	-	(2,554)
Total Expenses	\$ 4,458,872	\$ 3,893,863

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 \$2,428,278 which is more than last year's ending fund balance of \$2,086,608. The District's General Fund had a \$199,250 increase in the fund balance for the year ended June 30, 2016. The District's Deferred Maintenance Fund had a \$105,220 increase in the fund balance for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$4,596,106 for Governmental Activities and \$12,631 for Business-Type Activities in capital assets, net of accumulated depreciation. Capital assets for governmental activities included land improvements, buildings and equipment (see table below).

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
CAPITAL ASSETS						
Land	\$ 513,512	\$ 513,512	\$ -	\$ -	\$ -	\$ -
Land improvements	416,120	416,120	-	-	-	-
Buildings & improvements	5,887,483	5,865,302	22,181	14,860	14,860	-
Furniture & equipment	867,529	842,934	24,595	-	-	-
Accumulated depreciation	(3,088,538)	(2,893,884)	(194,654)	(2,229)	(1,486)	(743)
Total Capital Assets	\$ 4,596,106	\$ 4,743,984	\$ (147,878)	\$ 12,631	\$ 13,374	\$ (743)

Long-Term Debt

At year-end, the District had \$5,001,482 in long-term debt, an increase of \$558,283 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements).

	Governmental Activities		
	2016	2015	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 962,735	\$ 1,051,104	\$ (88,369)
Compensated absences	23,948	29,468	(5,520)
Net pension liability	4,164,799	3,512,627	652,172
Less: current portion of long-term debt	(150,000)	(150,000)	-
Total Long-term Liabilities	\$ 5,001,482	\$ 4,443,199	\$ 558,283

**SAN PASQUAL UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Rhonda Brown, Director of Finance, at (760) 745-4931 or 15305 Rockwood Road, Escondido, CA 92027.

SAN PASQUAL UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,328,543	\$ 220,013	\$ 2,548,556
Accounts receivable	169,751	758	170,509
Internal balances	31,100	(31,100)	-
Inventory	1,017	-	1,017
Capital assets, not depreciated	513,512	-	513,512
Capital assets, net of accumulated depreciation	4,082,594	12,631	4,095,225
Total Assets	7,126,517	202,302	7,328,819
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	477,927	-	477,927
Total Deferred Outflows of Resources	477,927	-	477,927
LIABILITIES			
Accrued liabilities	102,133	671	102,804
Long-term liabilities, current portion	150,000	-	150,000
Long-term liabilities, non-current portion	5,001,482	-	5,001,482
Total Liabilities	5,253,615	671	5,254,286
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	599,580	-	599,580
Total Deferred Inflows of Resources	599,580	-	599,580
NET POSITION			
Net investment in capital assets	4,251,516	12,631	4,264,147
Restricted:			
Capital projects	541,694	-	541,694
Debt service	183,023	-	183,023
Educational programs	230,005	-	230,005
All others	40,950	-	40,950
Unrestricted	(3,495,939)	189,000	(3,306,939)
Total Net Position	\$ 1,751,249	\$ 201,631	\$ 1,952,880

The accompanying notes are an integral part of these financial statements.

**SAN PASQUAL UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 3,440,275	\$ 46,121	\$ 587,548	\$ (2,806,606)	
Instruction-related services					
Instructional supervision and administration	129,753	-	112,644	(17,109)	
Instructional library, media, and technology	32,697	-	-	(32,697)	
School site administration	335,581	-	-	(335,581)	
Pupil services					
Home-to-school transportation	87,397	-	-	(87,397)	
Food services	135,545	89,197	67,291	20,943	
All other pupil services	155,503	-	64,320	(91,183)	
General administration					
Centralized data processing	7,436	-	-	(7,436)	
All other general administration	315,380	-	-	(315,380)	
Plant services	476,418	2,945	(48,327)	(521,800)	
Ancillary services	5,690	-	-	(5,690)	
Interest on long-term debt	61,631	-	-	(61,631)	
Other Outgo	66,065	-	63,414	(2,651)	
Depreciation (unallocated)	194,654	-	-	(194,654)	
Total Governmental Activities	\$ 5,444,025	\$ 138,263	\$ 846,890	(4,458,872)	
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	198,434	-	-		(198,434)
Total School District	\$ 5,642,459	\$ 138,263	\$ 846,890		\$ (4,657,306)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes				1,341,073	1,341,073
Property taxes, levied for debt service				150,709	150,709
Property taxes, levied for other specific purposes				(9)	(9)
Federal and state aid not restricted for specific purposes				3,025,330	3,025,330
Interest and investment earnings				10,836	11,882
Miscellaneous				218,613	466,654
Subtotal, General Revenue				4,746,552	4,995,639
CHANGE IN NET POSITION					
Net Position - Beginning				1,463,569	1,614,547
Net Position - Ending				\$ 1,751,249	\$ 1,952,880

The accompanying notes are an integral part of these financial statements.

**SAN PASQUAL UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,343,192	\$ 221,967	\$ 763,384	\$ 2,328,543
Accounts receivable	166,945	318	2,488	169,751
Due from other funds	31,100	135,000	-	166,100
Stores inventory	-	-	1,017	1,017
Total Assets	\$ 1,541,237	\$ 357,285	\$ 766,889	\$ 2,665,411
LIABILITIES				
Accrued liabilities	\$ 101,929	\$ -	\$ 204	\$ 102,133
Due to other funds	135,000	-	-	135,000
Total Liabilities	236,929	-	204	237,133
FUND BALANCES				
Nonspendable	1,000	-	1,017	2,017
Restricted	230,005	-	765,668	995,673
Committed	-	357,285	-	357,285
Assigned	580,257	-	-	580,257
Unassigned	493,046	-	-	493,046
Total Fund Balances	1,304,308	357,285	766,685	2,428,278
Total Liabilities and Fund Balances	\$ 1,541,237	\$ 357,285	\$ 766,889	\$ 2,665,411

The accompanying notes are an integral part of these financial statements.

**SAN PASQUAL UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds \$ 2,428,278

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

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 7,684,644	
Accumulated depreciation	(3,088,538)	4,596,106
	<hr/>	

Long-term liabilities:

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

Total general obligation bonds	\$ 962,735	
Compensated absences	23,948	
Net pension liability	4,164,799	(5,151,482)
	<hr/>	

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 477,927	
Deferred inflows of resources related to pensions	(599,580)	(121,653)
	<hr/>	

Total Net Position - Governmental Activities \$ 1,751,249

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

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 3,849,014	\$ 135,000	\$ -	\$ 3,984,014
Federal sources	156,228	-	62,614	218,842
Other state sources	571,071	-	5,657	576,728
Other local sources	664,088	1,175	291,525	956,788
Total Revenues	5,240,401	136,175	359,796	5,736,372
EXPENDITURES				
Current				
Instruction	3,316,912	-	-	3,316,912
Instruction-related services				
Instructional supervision and administration	120,927	-	-	120,927
Instructional library, media, and technology	41,923	-	-	41,923
School site administration	347,935	-	-	347,935
Pupil services				
Home-to-school transportation	104,735	-	-	104,735
Food services	-	-	146,878	146,878
All other pupil services	157,454	-	-	157,454
General administration				
Centralized data processing	7,436	-	-	7,436
All other general administration	365,213	-	-	365,213
Plant services	495,994	30,955	3,537	530,486
Facilities acquisition and maintenance	10,867	-	22,181	33,048
Ancillary services	5,690	-	-	5,690
Transfers to other agencies	66,065	-	-	66,065
Debt service				
Principal	-	-	150,000	150,000
Total Expenditures	5,041,151	30,955	322,596	5,394,702
NET CHANGE IN FUND BALANCE	199,250	105,220	37,200	341,670
Fund Balance - Beginning	1,105,058	252,065	729,485	2,086,608
Fund Balance - Ending	\$ 1,304,308	\$ 357,285	\$ 766,685	\$ 2,428,278

The accompanying notes are an integral part of these financial statements.

**SAN PASQUAL UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 341,670

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 46,776	
Depreciation expense:	(194,654)	(147,878)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

150,000

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(61,631)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

5,520

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(1)

Change in Net Position of Governmental Activities \$ 287,680

**SAN PASQUAL UNION SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

	Business-Type Activities
	Child Development Enterprise Fund
ASSETS	
Current assets	
Cash and investments	\$ 220,013
Accounts receivable	758
Total current assets	<u>220,771</u>
Non-current assets	
Capital assets, net of accumulated depreciation	<u>12,631</u>
Total non-current assets	<u>12,631</u>
Total Assets	<u>233,402</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	671
Due to other funds	<u>31,100</u>
Total Liabilities	<u>31,771</u>
NET POSITION	
Net investment in capital assets	12,631
Unrestricted	<u>189,000</u>
Total Net Position	<u>\$ 201,631</u>

The accompanying notes are an integral part of these financial statements.

**SAN PASQUAL UNION SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities
	Child Development Entreprise Fund
OPERATING REVENUE	
Charges for services	\$ 248,041
Total operating revenues	<u>248,041</u>
OPERATING EXPENSE	
Salaries and benefits	159,628
Supplies and materials	5,712
Professional services	32,351
Depreciation	743
Total operating expenses	<u>198,434</u>
Operating income/(loss)	<u>49,607</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	1,046
Total non-operating revenues/(expenses)	<u>1,046</u>
CHANGE IN NET POSITION	50,653
Net Position - Beginning	150,978
Net Position - Ending	<u>\$ 201,631</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-Type Activities
	Child Development Enterprise Fund
Cash flows from operating activities	
Cash received from user charges	\$ 248,183
Cash payments for payroll, insurance, and operating costs	(169,299)
Net cash provided by (used for) operating activities	<u>78,884</u>
Cash flows from investing activities	
Interest received	1,046
Net cash provided by (used for) investing activities	<u>1,046</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>79,930</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	140,083
End of year	<u>\$ 220,013</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 49,607
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	743
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(616)
(Increase) decrease in due from other funds	7
Increase (decrease) in accounts payable	(622)
Increase (decrease) in due to other funds	29,765
Net cash provided by (used for) operating activities	<u>\$ 78,884</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 4,877
Total Assets	<u>\$ 4,877</u>
LIABILITIES	
Due to student groups	\$ 4,877
Total Liabilities	<u>\$ 4,877</u>

The accompanying notes are an integral part of these financial statements.

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The San Pasqual Union School District (the “District”) was established in 1918, under the laws of the State of California. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

C. Other Related Entities

Education Foundation. The District receives local contributions from the San Pasqual School Foundation (the “Foundation”). The Foundation is a tax exempt organization under IRS code section 501(c)(3) with the primary exempt purpose to provide additional financial support to the San Pasqual Union School. The relationship between the District and the Foundation is such that the Foundation is not a component unit of the District for financial reporting purposes. The Foundation is governed by a twelve member board comprised of parents and other individual supporters of the District whom do not currently serve on the District governing board.

Joint Power Authority (JPA). The District is exposed to various risk of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District participates in a JPA to manage these risks. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The JPA is governed by a board consisting of representatives from the member agencies. This board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. 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 non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

Non-Major Governmental Funds

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Other Enterprise Fund: The childcare and preschool program may be accounted for using an enterprise fund rather than a special revenue child development fund, because the primary source of financing comes from local fees and contracts rather than federal and state program revenues.

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. **Basis of Accounting – Measurement Focus**

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	5 – 30 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District 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.

In addition to liabilities, the District 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 so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance (*continued*)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. 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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total		
	Governmental	Business-Type	Fiduciary
	Activities	Activities	Funds
Investment in county treasury	\$ 2,327,543	\$ 220,013	\$ -
Cash on hand and in banks	-	-	4,877
Cash in revolving fund	1,000	-	-
Total cash and investments	\$ 2,328,543	\$ 220,013	\$ 4,877

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$2,550,607 and an amortized book value of \$2,327,543. The District also maintains a pooled investment with the County Treasury for its Business-Type Activities with a fair value of approximately \$220,276 and an amortized book value of \$220,013. The average weighted maturity for this pool is 310 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAaf/S1 by Standard & Poor’s.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (*continued*)

F. Custodial Credit Risk – Deposits

This 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. However, 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. 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, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 2,770,883
Total fair market value of investments	<u>\$ 2,770,883</u>

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government					
Categorical aid	\$ 55,529	\$ -	\$ -	\$ 55,529	\$ -
State Government					
Apportionment	49,632	-	-	49,632	-
Categorical aid	-	-	1,723	1,723	-
Lottery	61,784	-	-	61,784	-
Local Government					
Other local sources	-	318	765	1,083	758
Total	\$ 166,945	\$ 318	\$ 2,488	\$ 169,751	\$ 758

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 513,512	\$ -	\$ -	\$ 513,512
Total Capital Assets not Being Depreciated	513,512	-	-	513,512
Capital assets being depreciated				
Land improvements	416,120	-	-	416,120
Buildings & improvements	5,865,302	22,181	-	5,887,483
Furniture & equipment	842,934	24,595	-	867,529
Total Capital Assets Being Depreciated	7,124,356	46,776	-	7,171,132
Less Accumulated Depreciation				
Land improvements	299,494	20,806	-	320,300
Buildings & improvements	1,924,800	138,131	-	2,062,931
Furniture & equipment	669,590	35,717	-	705,307
Total Accumulated Depreciation	2,893,884	194,654	-	3,088,538
Governmental Activities				
Capital Assets, net	\$ 4,743,984	\$ (147,878)	\$ -	\$ 4,596,106
Business-Type Activities				
Capital assets being depreciated				
Buildings & improvements	\$ 14,860	\$ -	\$ -	\$ 14,860
Total Capital Assets Being Depreciated	14,860	-	-	14,860
Less Accumulated Depreciation				
Buildings & improvements	1,486	743	-	2,229
Total Accumulated Depreciation	1,486	743	-	2,229
Business-Type Activities				
Capital Assets, net	\$ 13,374	\$ (743)	\$ -	\$ 12,631

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

	Due To Other Funds	Due From Other Funds	
		General Fund	Deferred Maintenance Fund
General Fund		\$ -	\$ 135,000
Child Development Enterprise Fund		31,100	-
Total Due From Other Funds		\$ 31,100	\$ 135,000
Due from the General Fund to Deferred Maintenance Fund for contribution to deferred maintenance.			\$ 135,000
Due from the Child Development Enterprise Fund to General Fund for direct costs.			31,100
Total			\$ 166,100

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business-Type Activities
Payroll	\$ 25,371	\$ -	\$ 25,371	\$ -
Vendors payable	7,688	204	7,892	671
Other liabilities	68,870	-	68,870	-
Total	\$ 101,929	\$ 204	\$ 102,133	\$ 671

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance			Balance			Balance Due
	July 01, 2015	Additions	Deductions	June 30, 2016		In One Year	
Governmental Activities							
General obligation bonds	\$ 1,051,104	\$ 61,631	\$ 150,000	\$ 962,735	\$	150,000	
Compensated absences	29,468	-	5,520	23,948		-	
Net pension liability	3,512,627	652,172	-	4,164,799		-	
Total	\$ 4,593,199	\$ 713,803	\$ 155,520	\$ 5,151,482	\$	150,000	

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for accumulated compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$23,948. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Bonded Debt

The District authorized \$1.5 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the facilities plan. In 2000, the District issued Series A General Obligation Bonds in the amount of \$1,486,351. The issue consists of serial bonds with a stated interest rate of 6.21% and fully maturing on September 1, 2023. At June 30, 2016, the principal balance outstanding was \$962,735 which includes \$618,145 of accreted interest.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
9/1/2000	9/1/2023	6.21%	\$ 1,486,351	\$ 1,051,104	\$ 61,631	\$ 150,000	\$ 962,735

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT (continued)

C. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2024 as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 52,073	\$ 97,927	\$ 150,000
2018	48,983	101,017	150,000
2019	46,077	103,923	150,000
2020	43,344	106,656	150,000
2021	42,132	112,868	155,000
2022 - 2024	111,981	353,019	465,000
Accretion	618,145	(618,145)	-
Total	\$ 962,735	\$ 257,264	\$ 1,220,000

D. Net Pension Liability

The District's beginning net pension liability was \$3,512,627 and increased by \$652,172 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$4,164,799. See Note 9 for additional information regarding the net pension liability.

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 1,000	\$ -	\$ -	\$ 1,000
Stores inventory	-	-	1,017	1,017
Total non-spendable	1,000	-	1,017	2,017
Restricted				
Educational programs	230,005	-	-	230,005
Capital projects	-	-	541,695	541,695
Debt service	-	-	183,023	183,023
All others	-	-	40,950	40,950
Total restricted	230,005	-	765,668	995,673
Committed				
Other commitments	-	357,285	-	357,285
Total committed	-	357,285	-	357,285
Assigned				
Special reserve	360,450	-	-	360,450
Other assignments	219,807	-	-	219,807
Total assigned	580,257	-	-	580,257
Unassigned				
Reserve for economic uncertainties	196,274	-	-	196,274
Remaining unassigned	296,772	-	-	296,772
Total unassigned	493,046	-	-	493,046
Total	\$ 1,304,308	\$ 357,285	\$ 766,685	\$ 2,428,278

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. For the fiscal year ending June 30, 2015, the minimum recommended reserve for a District of this size is no less than the greater of \$65,000 or four percent of budgeted general fund expenditures and other financing uses (total outgo).

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 3,233,562	\$ 250,369	\$ 422,881	\$ 478,471
PERS Pension	931,237	227,558	176,699	(136,102)
Total	\$ 4,164,799	\$ 477,927	\$ 599,580	\$ 342,369

California State Teachers' Retirement System (CalSTRS)

Plan Description

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. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$250,369 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$137,105 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 3,233,562
State's proportionate share of the net pension liability associated with the District	1,710,194
Total	\$ 4,943,756

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.005% percent, which did not change from its proportion measured as of June 30, 2014.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$478,471. In addition, the District recognized pension expense and revenue of \$132,438 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 263,588
Differences between expected and actual experience	-	54,033
Changes in proportion and differences between District contributions and proportionate share of contributions	-	105,260
District contributions subsequent to the measurement date	250,369	-
	<u>\$ 250,369</u>	<u>\$ 422,881</u>

The \$250,369 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 92,446
2018	92,446
2019	92,446
2020	92,446
2021	26,549
2022	26,548
	<u>\$ 422,881</u>

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Discount rate

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 increases per AB 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 Plan’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.

Sensitivity of the District’s 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 calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 4,882,427	\$ 3,233,562	\$ 1,863,222

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$91,999 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$931,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.006 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2014.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$(136,102). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 31,886
Differences between expected and actual experience	53,222	-
Changes in assumptions	-	57,218
Changes in proportion and differences between District contributions and proportionate share of contributions	82,337	87,595
District contributions subsequent to the measurement date	91,999	-
	<u>\$ 227,558</u>	<u>\$ 176,699</u>

The \$91,999 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 46,744	\$ 56,900
2018	46,744	56,900
2019	42,071	54,927
2020	-	7,972
	<u>\$ 135,559</u>	<u>\$ 176,699</u>

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all 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.

SAN PASQUAL UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

The table below reflects 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 geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period
 ** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if 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 the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s 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 calculated using the discount rate of 7.65 percent, 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 1,515,666	\$ 931,237	\$ 445,245

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

During the fiscal year ending June 30, 2016, the District participated in joint ventures with two joint powers authorities (JPAs). There were no significant reductions in coverage during the year. The JPAs and the services they provide to the District are as follows:

San Diego County Schools Risk Management JPA (RM). The JPA arranges for the operation and maintenance for the services and other necessary items associated with administering a self-insurance plan for workers' compensation, health, and property and liability insurance for its member school districts.

San Diego County Schools Fringe Benefits Consortium (FBC). The FBC is sponsored by the San Diego County Office of Education and assists the District in offering various fringe benefits such as 403(b) retirement plans, vision, health and dental insurance to its employees at a more affordable cost by benefiting from the savings that are available through the joint purchase of benefits made possible by the joining together of school districts.

Copies of the annual financial reports for each JPA can be obtained from the Risk Management Department at San Diego County Office of Education, 6401 Linda Vista Road, San Diego, CA 92111.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SAN PASQUAL UNION SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 3,905,730	\$ 3,950,733	\$ 3,849,014	\$ (101,719)
Federal sources	143,489	155,791	156,228	437
Other state sources	506,769	531,176	571,071	39,895
Other local sources	619,167	649,353	662,827	13,474
Total Revenues	5,175,155	5,287,053	5,239,140	(47,913)
EXPENDITURES				
Certificated salaries	2,382,952	2,382,274	2,354,988	27,286
Classified salaries	730,934	734,882	731,771	3,111
Employee benefits	770,573	831,514	929,175	(97,661)
Books and supplies	215,236	395,270	325,791	69,479
Services and other operating expenditures	648,755	698,315	608,766	89,549
Capital outlay	47,604	179,402	24,595	154,807
Other outgo				
Excluding transfers of indirect costs	36,567	65,284	66,065	(781)
Total Expenditures	4,832,621	5,286,941	5,041,151	245,790
NET CHANGE IN FUND BALANCE	342,534	112	197,989	197,877
Fund Balance - Beginning	886,512	886,512	886,512	-
Fund Balance - Ending	\$ 1,229,046	\$ 886,624	\$ 1,084,501	\$ 197,877

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN PASQUAL UNION SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ (25,000)	\$ (25,000)	\$ (135,000)	\$ (110,000)
Other local sources	600	600	1,175	575
Total Revenues	600	600	1,175	575
EXPENDITURES				
Books and supplies	5,000	3,000	-	3,000
Services and other operating expenditures	8,500	31,720	30,955	765
Total Expenditures	13,500	34,720	30,955	3,765
NET CHANGE IN FUND BALANCE	(12,900)	(34,120)	(29,780)	4,340
Fund Balance - Beginning	252,065	252,065	252,065	-
Fund Balance - Ending	\$ 239,165	\$ 217,945	\$ 222,285	\$ 4,340

See accompanying note to required supplementary information.

**SAN PASQUAL UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.005%	0.005%
District's proportionate share of the net pension liability	\$ 3,233,562	\$ 2,711,792
States's proportionate share of the net pension liability associated with the District	1,710,194	1,637,497
Total	<u>\$ 4,943,756</u>	<u>\$ 4,349,289</u>
District's covered-employee payroll	\$ 2,333,932	\$ 2,172,248
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.5%	124.8%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

SAN PASQUAL UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.006%	0.007%
District's proportionate share of the net pension liability	\$ 931,237	\$ 800,835
District's covered-employee payroll	\$ 778,063	\$ 698,336
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.7%	114.7%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**SAN PASQUAL UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 250,369	\$ 201,594
Contributions in relation to the contractually required contribution*	(250,369)	(201,594)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,333,932	\$ 2,172,248
Contributions as a percentage of covered-employee payroll	10.73%	9.28%

*Amounts do not include on behalf contributions

**SAN PASQUAL UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 91,999	\$ 84,325
Contributions in relation to the contractually required contribution	(91,999)	(84,325)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 778,063	\$ 698,336
Contributions as a percentage of covered-employee payroll	11.82%	12.08%

See accompanying note to required supplementary information.

**SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is 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 schedule presents 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 the District’s Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s proportion (percentage) of the collective net pension liability, the District’s proportionate share (amount) of the collective net pension liability, the District’s covered-employee payroll, the District’s proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered-employee payroll, and the pension plan’s fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District’s covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District’s covered-employee payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred an excess of expenditures over appropriations in major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 831,514	\$ 929,175	\$ 97,661
Other outgo			
Excluding transfers of indirect costs	\$ 65,284	\$ 66,065	\$ 781
Deferred Maintenance Fund	\$ 34,720	\$ 30,955	\$ 3,765

**SUPPLEMENTARY
INFORMATION**

**SAN PASQUAL UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	210.75	210.86
Extended Year Special Education	193.70	193.12
Special Education - Nonpublic Schools	136.79	137.21
Total TK/K through Third	541.24	541.19
TOTAL SCHOOL DISTRICT	541.24	541.19

**SAN PASQUAL UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16 Actual Minutes	Number of Days	Status
Kindergarten	36,000	46,800	180	Complied
Grade 1	50,400	55,980	180	Complied
Grade 2	50,400	55,980	180	Complied
Grade 3	50,400	55,980	180	Complied
Grade 4	54,000	55,980	180	Complied
Grade 5	54,000	55,980	180	Complied
Grade 6	54,000	55,980	180	Complied
Grade 7	54,000	55,980	180	Complied
Grade 8	54,000	55,980	180	Complied

**SAN PASQUAL UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 5,109,730	\$ 5,239,140	\$ 4,789,176	\$ 4,383,938
Expenditures And Other Financing Uses	5,032,673	5,041,151	4,647,808	4,366,079
Net change in Fund Balance	\$ 77,057	\$ 197,989	\$ 141,368	\$ 17,859
Ending Fund Balance	\$ 1,161,558	\$ 1,084,501	\$ 886,512	\$ 745,144
Available Reserves*	\$ 580,553	\$ 493,046	\$ 647,104	\$ 643,680
Available Reserves As A Percentage Of Outgo	11.54%	9.78%	13.92%	14.74%
Long-term Debt	\$ 5,001,482	\$ 5,151,482	\$ 4,593,199	\$ 1,121,415
Average Daily Attendance At P-2	538	541	534	534

The General Fund balance has increased by \$339,357 over the past two years. The fiscal year 2016-17 budget projects a increase of \$77,057. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$4,030,067 over the past two years.

Average daily attendance has increased by 7 ADA over the past two years. ADA is anticipated to decrease by 3 during the 2016-17 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN PASQUAL UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2016, annual financial and budget report fund balance	\$ 1,084,501	\$ 219,807
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	219,807	(219,807)
Net adjustments and reclassifications	<u>219,807</u>	<u>(219,807)</u>
June 30, 2016, audited financial statement fund balance	<u>\$ 1,304,308</u>	<u>\$ -</u>

**SAN PASQUAL UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2016**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 39,431	\$ 259,665	\$ 281,265	\$ 183,023	\$ 763,384
Accounts receivable	1,723	362	403	-	2,488
Stores inventory	1,017	-	-	-	1,017
Total Assets	\$ 42,171	\$ 260,027	\$ 281,668	\$ 183,023	\$ 766,889
LIABILITIES					
Accrued liabilities	\$ 204	\$ -	\$ -	\$ -	\$ 204
Total Liabilities	204	-	-	-	204
FUND BALANCES					
Non-spendable	1,017	-	-	-	1,017
Restricted	40,950	260,027	281,668	183,023	765,668
Total Fund Balances	41,967	260,027	281,668	183,023	766,685
Total Liabilities and Fund Balance	\$ 42,171	\$ 260,027	\$ 281,668	\$ 183,023	\$ 766,889

See accompanying note to supplementary information.

**SAN PASQUAL UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 62,614	\$ -	\$ -	\$ -	\$ 62,614
Other state sources	4,522	-	-	1,135	5,657
Other local sources	89,352	50,473	1,536	150,164	291,525
Total Revenues	156,488	50,473	1,536	151,299	359,796
EXPENDITURES					
Food services	146,878	-	-	-	146,878
Plant services	-	3,537	-	-	3,537
Facilities acquisition and maintenance	-	22,181	-	-	22,181
Principal	-	-	-	150,000	150,000
Total Expenditures	146,878	25,718	-	150,000	322,596
NET CHANGE IN FUND BALANCE	9,610	24,755	1,536	1,299	37,200
Fund Balance - Beginning	32,357	235,272	280,132	181,724	729,485
Fund Balance - Ending	\$ 41,967	\$ 260,027	\$ 281,668	\$ 183,023	\$ 766,685

See accompanying note to supplementary information.

**SAN PASQUAL UNION SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

The San Pasqual Union School District was established in 1918, and is comprised of an area of approximately 26 square miles located in San Diego County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school offering grades kindergarten through eighth.

GOVERNING BOARD

Member	Office	Term Expires
Blaise Jackson	President	December 2018
Scott Heidemann	Clerk	December 2016
Angie Baker	Trustee	December 2016
David Hersey	Trustee	December 2018
Tim Spivey	Trustee	December 2016

DISTRICT ADMINISTRATORS

Shannon Hargrave
Superintendent/Secretary of the Board/Principal

Mark Burroughs
Director of Pupil Services/Vice Principal

Rhonda Brown
Director of Finance

SAN PASQUAL UNION SCHOOL DISTRICT
NOTES TO 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

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 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Independent Auditors' Report

Governing Board
San Pasqual Union School District
Escondido, 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, the business-type activities, each major fund, and the aggregate remaining fund information of San Pasqual Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the San Pasqual Union School District's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Pasqual Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Pasqual Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Pasqual Union School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

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 San Pasqual Union 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 2, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
San Pasqual Union School District
Escondido, California

Report on State Compliance

We have audited San Pasqual Union 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*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of San Pasqual Union School District's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Pasqual Union School District's state 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about San Pasqual Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of San Pasqual Union School District's compliance with those requirements.

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State Board of Accountancy*

Opinion on State Compliance

In our opinion, San Pasqual Union School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine San Pasqual Union School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Not Applicable
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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White Associates

San Diego, California
December 2, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SAN PASQUAL UNION SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2016 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SAN PASQUAL UNION SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings for the year ended June 30, 2016.

**SAN PASQUAL UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award finding and questioned costs for the year ended June 30, 2016.

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

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