

**DOS PALOS-ORO LOMA
JOINT UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Dos Palos-Oro Loma Joint Unified School District
Dos Palos, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 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 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dos Palos-Oro Loma Joint Unified School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 60, schedule of other postemployment benefits funding progress on page 61, schedule of the district's proportionate share of net pension liability on page 62, and the schedule of district contributions on page 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dos Palos-Oro Loma Joint Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying 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 15, 2016, on our consideration of the Dos Palos-Oro Loma Joint Unified 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 Dos Palos-Oro Loma Joint Unified School District's internal control over financial reporting and compliance.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 15, 2016



DOS PALOS - ORO LOMA JOINT UNIFIED SCHOOL DISTRICT
2041 Almond Street • Dos Palos • California 93620

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Dos Palos-Oro Loma Joint Unified School District's 2015-2016 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Dos Palos-Oro Loma Joint Unified School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Dos Palos – Oro Loma Joint Unified School District Board of Trustees.



DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District's activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$15.6 million for the fiscal year ended June 30, 2016, and \$13.0 million for the fiscal year ended June 30, 2015; an increase of \$2.6 million. Of this amount, \$1.3 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Table 1

(Amounts in millions)

	Governmental Activities		
	2016	2015	Difference
Assets			
Current and other assets	\$ 12.9	\$ 10.0	\$ 2.9
Capital assets	25.4	25.9	(0.5)
Total Assets	38.3	35.9	2.4
Deferred Outflows of Resources	4.8	1.5	-
Liabilities			
Current liabilities	1.2	1.8	(0.6)
Long-term obligations	4.8	4.9	(0.1)
Net pension liability	17.9	13.9	4.0
Total Liabilities	23.9	20.6	3.3
Deferred Inflows of Resources	3.6	3.8	-
Net Position			
Net investment in capital assets	21.1	21.4	(0.3)
Restricted	1.3	1.4	(0.1)
Unrestricted	(6.8)	(9.8)	3.0
Total Net Position	\$ 15.6	\$ 13.0	\$ 2.6

The \$15.6 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$3.0 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Table 2

(Amounts in millions)

	Governmental Activities		
	2016	2015	Difference
Revenues			
Program revenues			
Charges for services	\$ 0.1	\$ 0.1	\$ -
Operating grants and contributions	5.0	4.5	0.5
General revenues:			
Federal and State aid not restricted	18.7	17.8	0.9
Property taxes	5.0	3.1	1.9
Other general revenues	0.5	0.3	0.2
Total Revenues	29.3	25.8	3.5
Expenses			
Instruction related	16.5	15.8	0.7
Student support services	4.3	3.8	0.5
Administration	2.0	1.6	0.4
Maintenance and operations	3.0	2.7	0.3
Other	0.9	1.0	(0.1)
Total Expenses	26.7	24.9	1.8
Change in Net Position	\$ 2.6	\$ 0.9	\$ 1.7

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$26.7 million as compared to \$24.9 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.0 million because the cost was paid by those who benefited from the programs (\$0.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$18.7 million in State and Federal funds and with \$0.5 million other revenues, like interest, general entitlements, and insurance proceeds.

In Table 3, we have presented the net cost of each of the District's largest functions (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Table 3

(Amounts in millions)

	Net Cost of Services	
	2016	2015
Instruction related	\$ 13.4	\$ 13.1
Student support services	2.7	2.2
Administration	1.7	1.4
Maintenance and operations	3.0	2.7
Other	0.9	0.9
Total	\$ 21.7	\$ 20.3

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$11.8 million, which is an increase of \$3.6 million from last year. Despite transfers out to the Special Reserve Capital Outlay Fund of \$1.0 million, the General Fund balance increased by \$2.5 million primarily due to increased State funding. The District's non-major governmental funds showed little overall change other than an increase in the Special Reserve Capital Outlay Fund of \$0.9 million as a result of the transfer in from the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was approved on March 17, 2016, with the Second Interim Report. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District projected a decrease in fund balance of approximately \$0.5 million. Although revenues and other sources were \$0.1 million less than expected, expenditures and other uses were \$3.1 million less than projected, resulting in an actual increase of \$2.5 million in the fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$25.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2016, the net capital assets totaled \$25.4 million. This amount represents a net decrease (including additions, deductions and depreciation) of \$0.5 million from last year.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Table 4

(Amounts in millions)	Governmental Activities		
	2016	2015	Difference
Land and construction in process	\$ 1.1	\$ 11.7	\$ (10.6)
Buildings and improvements	23.0	13.1	9.9
Equipment	1.3	1.1	0.2
Total	\$ 25.4	\$ 25.9	\$ (0.5)

We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had \$4.8 million in long-term obligations outstanding versus \$4.9 million last year, a decrease of \$1 million. The long-term obligations consisted of:

Table 5

(Amounts in millions)	Governmental Activities		
	2016	2015	Difference
General obligation bonds	\$ 4.1	\$ 4.3	\$ (0.2)
Other	0.7	0.6	0.1
Total	\$ 4.8	\$ 4.9	\$ (0.1)

The District's general obligation bond S&P rating at the time of their last issuance was "AAA".

Other obligations include compensated absences, capital leases, and other postemployment benefits. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as of June 30, 2015, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported Deferred Outflows from pension activities of \$4.8 million, Deferred Inflows from pension activities of \$3.6 million, and a Net Pension Liability of \$17.9 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

THE DISTRICT'S FISCAL AND INSTRUCTIONAL GOAL

The District's governing board continues to place a high priority on cash flow and adequate fund balance for economic uncertainties. The district is committed to maintaining a prudent level of financial resources to protect against shortfalls of revenue and uncertainties. Cash flow is monitored and reported to the governing board monthly. The District has been able to meet its 16 percent reserve since the Board's adopted policy in 2014. As facilities have aged and will require attention and investment, the District's governing board has also approved the transfer of \$1 million each year to Fund 40 - Special Reserve for Capital Outlay. These funds will be used to address facility needs and increase the safety of not only students but also staff in the District. Over the years, the District's average daily attendance (ADA) has declined. Decline in ADA will require purposeful action by the District to be financially stable, responsible, and accountable, while meeting the needs of all students.

For fiscal year 2015-2016, the district called out goals aligning with the state's eight priorities and took strides to develop a Local Control and Accountability Plan (LCAP) demonstrating services to improve performance of all students. District Administration conducted a number of meetings and events to involve and collect information from parents, local bargaining units, pupils, Merced County Office, and community members. Stakeholders included parents of all the diverse pupils who attend Dos Palos Oro Loma Joint Unified School District. The Governing Board also takes an active role in developing the LCAP. Two board members participated as active members of the LCAP advisory committee.

The LCAP is an accountability system which shows actions and services intended to improve student outcomes. The District has worked vigorously to implement and carryout services identified in the plan. The District's goal is to continue to provide services to close the achievement gap and prepare all students to be college and career ready.

The Dos Palos Oro Loma Joint Unified School District and MCOE have certified the financial condition of the District to be positive and fiscally solvent since 2013-2014. Continued budget monitoring and program review/oversight of any increasing costs, are necessary to maintain the fiscal solvency of the District. The District is continuing their efforts to address and monitor financials.

FOR THE FUTURE

The State of California continues to financially benefit schools through the Local Control Funding Formula (LCFF). The LCFF uses a three-tier calculation involving base grants plus supplemental grants and concentrated grants. Supplemental and Concentrated grants are unique to each district as they are based on unduplicated count of English Learners, Foster Youth and pupils approved for Free/Reduced price meals. Dos Palos unduplicated count equals 90.44 percent. The Governor proposes to fully fund the LCFF by 2019-2020 by partially funding it a little each year. In the meantime, the difference between the old funding model and the new funding model is known as the gap. The estimated GAP funding for 2015-2016 is 52.56 percent.

DOS PALOS – ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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 fiscal status 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 William Spalding, Superintendent in the District office (209) 392-0203 at 2041 Almond Street, Dos Palos, California 93620 or e-mail at WSpalding@dpol.net.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 11,975,193
Receivables	895,703
Stores inventories	31,277
Nondepreciable capital assets	1,051,114
Capital assets being depreciated	42,639,841
Accumulated depreciation	(18,295,701)
Total Assets	38,297,427
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	4,809,628
LIABILITIES	
Accounts payable	1,066,210
Unearned revenue	75,000
Long-term obligations:	
Current portion of long-term obligations other than pensions	367,557
Noncurrent portion of long-term obligations other than pensions	4,473,318
Total Long-Term Obligations	4,840,875
Aggregate net pension liability	17,943,113
Total Liabilities	23,925,198
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,589,398
NET POSITION	
Net investment in capital assets	21,123,005
Restricted for:	
Debt service	384,274
Capital projects	358,491
Educational programs	522,946
Other activities	47,065
Unrestricted	(6,843,322)
Total Net Position	\$ 15,592,459

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 13,770,284	\$ 58,112	\$ 2,386,974
Instruction-related activities:			
Supervision of instruction	650,771	76	394,134
Instructional library, media, and technology	116,708	-	83,987
School site administration	1,927,387	351	124,858
Pupil services:			
Home-to-school transportation	1,447,385	-	-
Food services	1,486,752	-	1,216,008
All other pupil services	1,326,182	(2,212)	359,710
Administration:			
Data processing	725,606	12,957	2,948
All other administration	1,258,478	(667)	285,855
Plant services	3,088,061	-	92,141
Ancillary services	333,889	-	3,241
Community services	20,325	-	-
Interest on long-term obligations	207,227	-	-
Other outgo	403,803	(948)	65,980
Total Governmental Activities	\$ 26,762,858	\$ 67,669	\$ 5,015,836

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Interagency revenues
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning
- Net Position - Ending

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

**Net (Expenses)
Revenues and
Changes in
Net Position**

**Governmental
Activities**

\$ (11,325,198)

(256,561)

(32,721)

(1,802,178)

(1,447,385)

(270,744)

(968,684)

(709,701)

(973,290)

(2,995,920)

(330,648)

(20,325)

(207,227)

(338,771)

(21,679,353)

4,607,520

406,753

18,728,921

65,241

1,809

445,109

24,255,353

2,576,000

13,016,459

\$ 15,592,459

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 10,071,947	\$ 1,903,246	\$ 11,975,193
Receivables	794,402	101,301	895,703
Due from other funds	39,556	894	40,450
Stores inventories	6,285	24,992	31,277
Total Assets	\$ 10,912,190	\$ 2,030,433	\$ 12,942,623
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,029,180	\$ 37,030	\$ 1,066,210
Due to other funds	894	39,556	40,450
Unearned revenue	75,000	-	75,000
Total Liabilities	1,105,074	76,586	1,181,660
Fund Balances:			
Nonspendable	11,285	25,192	36,477
Restricted	440,485	855,910	1,296,395
Committed	-	773	773
Assigned	4,941,785	1,071,972	6,013,757
Unassigned	4,413,561	-	4,413,561
Total Fund Balances	9,807,116	1,953,847	11,760,963
Total Liabilities and Fund Balances	\$ 10,912,190	\$ 2,030,433	\$ 12,942,623

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 11,760,963
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 43,690,955	
Accumulated depreciation is	<u>(18,295,701)</u>	
Net Capital Assets		25,395,254
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		1,452,200
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		1,233,033
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(1,227,059)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		68,255
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(306,199)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(17,943,113)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds, including premiums	4,163,867	
Compensated absences	129,995	
Capital leases	117,193	
Other postemployment benefits	<u>429,820</u>	
Total Long-Term Obligations		<u>(4,840,875)</u>
Total Net Position - Governmental Activities		<u><u>\$ 15,592,459</u></u>

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

	General Fund	Non-Major Governmental Funds
REVENUES		
Local Control Funding Formula	\$ 21,765,055	\$ -
Federal sources	2,069,278	1,191,630
Other State sources	3,097,813	331,626
Other local sources	172,685	737,787
Total Revenues	27,104,831	2,261,043
EXPENDITURES		
Current		
Instruction	12,831,411	206,893
Instruction-related activities:		
Supervision of instruction	626,091	9,373
Instructional library, media and technology	109,238	-
School site administration	1,808,146	-
Pupil services:		
Home-to-school transportation	1,268,867	-
Food services	-	1,333,029
All other pupil services	1,272,983	833
Administration:		
Data processing	741,524	-
All other administration	1,094,299	81,261
Plant services	2,658,702	176,063
Facility acquisition and construction	332,660	62,912
Ancillary services	332,637	-
Community services	20,325	-
Other outgo	403,803	-
Debt service		
Principal	55,550	290,000
Interest and other	5,693	35,537
Total Expenditures	23,561,929	2,195,901
Excess of Revenues Over Expenditures	3,542,902	207,626
Other Financing Sources (Uses)		
Transfers in	-	1,000,000
Transfers out	(1,000,000)	-
Net Financing Sources (Uses)	(1,000,000)	1,000,000
NET CHANGE IN FUND BALANCES	2,542,902	1,065,142
Fund Balance - Beginning	7,264,214	888,705
Fund Balance - Ending	\$ 9,807,116	\$ 1,953,847

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

Total Governmental Funds	
\$	21,765,055
	3,260,908
	3,429,439
	910,472
	<u>29,365,874</u>
	13,038,304
	635,464
	109,238
	1,808,146
	1,268,867
	1,333,029
	1,273,816
	741,524
	1,175,560
	2,834,765
	395,572
	332,637
	20,325
	403,803
	345,550
	41,230
	<u>25,757,830</u>
	<u>3,608,044</u>
	1,000,000
	<u>(1,000,000)</u>
	-
	3,608,044
	8,152,919
\$	<u><u>11,760,963</u></u>

DOS PALOS-ORO LOMA JOINT UNIFIED 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

Total Net Change in Fund Balances - Governmental Funds **\$ 3,608,044**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	\$ 447,569	
Depreciation expense	(939,702)	
Net Expense Adjustment		(492,133)

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. (590,205)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During the year, vacation earned was more than the amount used by \$13,455. (13,455)

In governmental funds, Postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (115,804)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	290,000
Capital lease obligations	55,550

In the government-wide financial statements, debt premiums are deferred and amortized over the life of the debt using the straight line method. This is the amount of premium amortization during the year. 7,628

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.

Change in Net Position of Governmental Activities

\$ (173,625)
\$ 2,576,000

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 119,498
Total Assets	<u>\$ 119,498</u>
LIABILITIES	
Due to student groups	\$ 119,498
Total Liabilities	<u>\$ 119,498</u>

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

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Dos Palos-Oro Loma Joint Unified School District was unified on July 1, 1993, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12, as well as providing programs for adults in the community, as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, a community day school, and a continuation high school.

A reporting entity is comprised of the primary government, 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, boards, and agencies that are not legally separate from the District. For Dos Palos-Oro Loma Joint Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been consolidated with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in assets and fund balance of \$1,939.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their use.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in funds balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the 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 on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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 before the eligibility requirements are met 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.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2016, 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 pools are determined by the County Treasurer.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Premiums

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

In governmental fund financial statements, debt premiums are recognized in the current period. Premiums received on debt issuance are reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the chief business official may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties and other unassigned amounts equal to no less than nine percent of General Fund expenditures and other financing uses.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Net Position

Net position represents the difference between assets and liabilities. Net position net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$1,312,776 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

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.

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.

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 of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

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

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

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

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

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 11,975,193
Fiduciary funds	119,498
Total Deposits and Investments	<u>\$ 12,094,691</u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 119,498
Cash in revolving	5,200
Investments	11,969,993
Total Deposits and Investments	<u>\$ 12,094,691</u>

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; and collateralized mortgage obligations.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of 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.

General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 12,010,308	\$ -	\$ 12,010,308	\$ -	\$ -

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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 reasonably 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 Merced 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.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 488,182	\$ 30,874	\$ 519,056
State Government			
State grants and entitlements	260,525	70,427	330,952
Local Sources	45,695	-	45,695
Total	<u>\$ 794,402</u>	<u>\$ 101,301</u>	<u>\$ 895,703</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Balance June 30, 2016
Governmental Activities			
Capital Assets not being depreciated:			
Land	\$ 1,051,114	\$ -	\$ 1,051,114
Construction in progress	10,663,764	(10,663,764)	-
Total Capital Assets Not Being Depreciated	<u>11,714,878</u>	<u>(10,663,764)</u>	<u>1,051,114</u>
Capital Assets being depreciated:			
Land improvements	5,831,695	-	5,831,695
Buildings and improvements	20,660,041	10,676,330	31,336,371
Furniture and equipment	5,036,772	435,003	5,471,775
Total Capital Assets Being Depreciated	<u>31,528,508</u>	<u>11,111,333</u>	<u>42,639,841</u>
Total Capital Assets	<u>43,243,386</u>	<u>447,569</u>	<u>43,690,955</u>
Less Accumulated Depreciation:			
Land improvements	2,995,941	188,457	3,184,398
Buildings and improvements	10,431,023	514,237	10,945,260
Furniture and equipment	3,929,035	237,008	4,166,043
Total Accumulated Depreciation	<u>17,355,999</u>	<u>939,702</u>	<u>18,295,701</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,887,387</u>	<u>\$ (492,133)</u>	<u>\$ 25,395,254</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 432,264
School site administration	56,382
Home-to-school transportation	131,558
Food services	112,764
Data processing	18,794
All other general administration	37,588
Plant services	150,352
Total Depreciation Expenses Governmental Activities	<u><u>\$ 939,702</u></u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Fund		
General	<u>\$ 39,556</u>	<u>\$ 894</u>
Non-Major Governmental Funds		
Adult Education	-	39,556
Cafeteria	<u>894</u>	<u>-</u>
Total Non-Major Governemental Funds	<u>894</u>	<u>39,556</u>
Total All Governmental Funds	<u><u>\$ 40,450</u></u>	<u><u>\$ 40,450</u></u>

The General Fund owes the Cafeteria Fund for expenses.	\$ 894
The Adult Education Fund owes the General Fund for cash flow loans.	39,556
Total	<u><u>\$ 40,450</u></u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2016, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for facilities and capital projects. \$ 1,000,000

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable and other current liabilities at June 30, 2016, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 218,333	\$ 28,693	\$ 247,026
State apportionment	486,374	-	486,374
Salaries and benefits	179,004	8,337	187,341
Grantor governments	145,469	-	145,469
Total	<u><u>\$ 1,029,180</u></u>	<u><u>\$ 37,030</u></u>	<u><u>\$ 1,066,210</u></u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

Federal financial assistance	<u><u>General Fund \$ 75,000</u></u>
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DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	\$ 4,181,074	\$ 173,625	\$ 290,000	\$ 4,064,699	\$ 310,000
Bond Premiums	106,796	-	7,628	99,168	-
Compensated Absences - net	116,540	13,455	-	129,995	-
Capital Leases	172,743	-	55,550	117,193	57,557
Other Postemployment Benefits	314,016	213,740	97,936	429,820	-
Total	<u>\$ 4,891,169</u>	<u>\$ 400,820</u>	<u>\$ 451,114</u>	<u>\$ 4,840,875</u>	<u>\$ 367,557</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund with local tax revenue. Payments on the capital leases and other postemployment benefits obligations are made from the General Fund. Payments for the compensated absences are made from the fund in which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2015	Issued/ Accreted Interest	Amortized/ Redeemed	Bond Obligation June 30, 2016
Series 2002A Capital Appreciation Bonds:							
2003	8/1/2027	10.0-12.0	\$ 151,164	\$ 550,430	\$ 59,821	\$ -	\$ 610,251
Series 2003A Capital Appreciation Bonds:							
2004	8/1/2028	4.6-5.5	985,079	1,945,644	113,804	125,000	1,934,448
2013 General Obligation Bonds							
2013	8/1/2022	2.1	1,860,000	1,685,000	-	165,000	1,520,000
Total				<u>\$4,181,074</u>	<u>\$ 173,625</u>	<u>\$ 290,000</u>	<u>\$ 4,064,699</u>

Debt Service Requirements to Maturity

Series 2002A Capital Appreciation Bonds

Fiscal Year	Original Denominational Amount	Accreted Interest	Obligation June 30, 2016	Final Maturity Amount
2024-2028	<u>\$ 151,164</u>	<u>\$ 459,087</u>	<u>\$ 610,251</u>	<u>\$ 1,555,000</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Series 2003A Capital Appreciation Bonds

Fiscal Year	Original Denominational Amount	Accreted Interest	Obligation June 30, 2016	Final Maturity Amount
2017	\$ 71,534	\$ 58,466	\$ 130,000	\$ 130,000
2018	72,505	60,887	133,392	140,000
2019	70,338	61,003	131,341	145,000
2020	79,450	70,910	150,360	175,000
2021	78,693	71,897	150,590	185,000
2022-2026	350,744	380,941	731,685	1,125,000
2027-2029	188,458	318,622	507,080	1,230,000
Total	\$ 911,722	\$ 1,022,726	\$ 1,934,448	\$ 3,130,000

2013 General Obligation Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 180,000	\$ 30,030	\$ 210,030
2018	190,000	26,145	216,145
2019	200,000	22,050	222,050
2020	215,000	17,693	232,693
2021	230,000	13,021	243,021
2022-2023	505,000	10,763	515,763
Total	\$ 1,520,000	\$ 119,702	\$ 1,639,702

Compensated Absences

The District's obligation related to employee compensated absences balances amounted to \$129,995 as of June 30, 2016.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Three Buses and Technology Upgrade
Balance, July 1, 2015	\$ 183,727
Payments	61,242
Balance, June 30, 2016	<u>\$ 122,485</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
<u>2017</u>	\$ 61,242
2018	61,243
Total	122,485
Less: Amount Representing Interest	5,292
Present Value of Minimum Lease Payments	<u>\$ 117,193</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$198,039, and contributions made by the District during the year were \$73,600. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$15,701 and \$(24,336), respectively, which resulted in an increase to the net OPEB obligation of \$115,804. As of June 30, 2016, the net OPEB obligation was \$429,820. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 5,000	\$ 200	\$ 5,200
Stores inventories	6,285	24,992	31,277
Total Nonspendable	<u>11,285</u>	<u>25,192</u>	<u>36,477</u>
Restricted			
Legally restricted programs	440,485	104,334	544,819
Capital projects	-	367,302	367,302
Debt service	-	384,274	384,274
Total Restricted	<u>440,485</u>	<u>855,910</u>	<u>1,296,395</u>
Committed			
Adult education program	-	773	773
Assigned			
One time mandate cost allocation	1,143,172	-	1,143,172
Facility projects	-	1,071,972	1,071,972
Transfer to Fund 40	3,000,000	-	3,000,000
Future textbook adoptions	570,000	-	570,000
Other assigned	228,613	-	228,613
Total Assigned	<u>4,941,785</u>	<u>1,071,972</u>	<u>6,013,757</u>
Unassigned			
Reserve for economic uncertainties	3,659,975	-	3,659,975
Remaining unassigned	753,586	-	753,586
Total Unassigned	<u>4,413,561</u>	<u>-</u>	<u>4,413,561</u>
Total	<u>\$ 9,807,116</u>	<u>\$ 1,953,847</u>	<u>\$ 11,760,963</u>

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Dos Palos-Oro Loma Joint Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 14 retirees and beneficiaries currently receiving benefits and 96 active plan members.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the Dos Palos-Oro Loma Joint Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA and the unrepresented groups. For fiscal year 2015-2016, the District contributed \$73,600 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 198,039
Interest on net OPEB obligation	15,701
Adjustment to annual required contribution	(24,336)
Annual OPEB cost (expense)	<u>189,404</u>
Contributions made	<u>(73,600)</u>
Increase in net OPEB obligation	115,804
Net OPEB obligation, beginning of year	314,016
Net OPEB obligation, end of year	<u><u>\$ 429,820</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2016	\$ 189,404	\$ 73,600	38.86%	\$ 429,820
2015	192,726	71,917	37.32%	314,016
2014	96,414	97,649	101.28%	193,207

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2014	\$ -	\$ 334,934	\$ 334,934	0.00%	\$ 11,306,190	2.96%

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

Actuarial Methods and Assumptions

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

In the February 1, 2014, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates are four percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with CRSIG for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the MCSIG I, an insurance purchasing pool. The intent of the MCSIG I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the MCSIG I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the MCSIG I. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the MCSIG I. Participation in the MCSIG I is limited to districts that can meet the MCSIG I selection criteria.

Employee Medical Benefits

The District has contracted with the SISC III to provide employee health benefits. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 12,959,633	\$ 2,858,839	\$ 2,294,077	\$ 1,186,894
CalPERS	4,983,480	1,950,789	1,295,321	868,274
Total	<u>\$ 17,943,113</u>	<u>\$ 4,809,628</u>	<u>\$ 3,589,398</u>	<u>\$ 2,055,168</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$976,452.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 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:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 12,959,633
State's proportionate share of the net pension liability associated with the District	6,854,217
Total	<u>\$ 19,813,850</u>

The net pension liability was measured as of 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 and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0192 percent and 0.0179 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,186,894. In addition, the District recognized pension expense and revenue of \$530,936 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>
Pension contributions subsequent to measurement date	\$ 976,452	\$ -
Net change in proportionate share of net pension liability	861,289	-
Difference between projected and actual earnings on pension plan investments	1,021,098	2,077,519
Differences between expected and actual experience in the measurement of the total pension liability	-	216,558
Total	<u>\$ 2,858,839</u>	<u>\$ 2,294,077</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (437,232)
2018	(437,232)
2019	(437,232)
2020	255,275
Total	<u>\$ (1,056,421)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 107,456
2018	107,455
2019	107,455
2020	107,455
2021	107,455
Thereafter	107,455
Total	<u>\$ 644,731</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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 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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the 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 is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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 ten-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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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%

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 19,568,036
Current discount rate (7.60%)	\$ 12,959,633
1% increase (8.60%)	\$ 7,467,516

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$475,748.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,983,480. The net pension liability was measured as of 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. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0338 percent and 0.0305 percent, resulting in a net increase in the proportionate share of 0.0033 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$868,274. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 475,748	\$ -
Net change in proportionate share of net pension liability	371,744	-
Difference between projected and actual earnings on pension plan investments	818,484	989,122
Differences between expected and actual experience in the measurement of the total pension liability	284,813	-
Changes of assumptions	-	306,199
Total	<u>\$ 1,950,789</u>	<u>\$ 1,295,321</u>

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (125,086)
2018	(125,086)
2019	(125,086)
2020	204,620
Total	<u>\$ (170,638)</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 120,813
2018	120,813
2019	108,732
Total	<u>\$ 350,358</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class 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	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 8,111,029
Current discount rate (7.65%)	\$ 4,983,480
1% increase (8.65%)	\$ 2,382,714

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$557,592 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the MCSIG I, CRSIG, and SISC III joint powers authorities (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one member to the governing board of MCSIG I.

During the year ended June 30, 2016, the District made payment of \$275,925 to MCSIG I for workers' compensation insurance. At June 30, 2016, the District is not owed nor does it owe funds to MCSIG I.

The District has no appointed members to the governing board of CRSIG.

During the year ended June 30, 2016, the District made payment of \$162,844 to CRSIG for property and liability insurance. At June 30, 2016, the District is not owed nor does it owe funds to CRSIG.

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2016, the District made payment of \$1,965,283 to SISC III for medical, dental and vision insurance. At June 30, 2016, the District is not owed nor does it owe funds to SISC III.

REQUIRED SUPPLEMENTARY INFORMATION

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
			Final	to Actual
REVENUES				
Local Control Funding Formula	\$ 21,648,123	\$ 21,738,119	\$ 21,765,055	\$ 26,936
Federal sources	1,887,116	2,021,571	2,069,278	47,707
Other State sources	2,578,889	2,954,104	3,097,813	143,709
Other local sources	272,348	274,876	172,685	(102,191)
Total Revenues	26,386,476	26,988,670	27,104,831	116,161
EXPENDITURES				
Current				
Certificated salaries	10,303,042	9,866,950	9,539,521	327,429
Classified salaries	3,929,045	4,079,742	3,946,344	133,398
Employee benefits	4,528,900	5,095,131	4,528,467	566,664
Books and supplies	1,675,337	2,897,051	1,770,801	1,126,250
Services and operating expenditures	3,142,432	3,431,856	2,755,862	675,994
Other outgo	397,200	414,596	322,544	92,052
Capital outlay	572,500	723,769	637,147	86,622
Debt service - principal	54,000	54,000	55,550	(1,550)
Debt service - interest	7,800	7,800	5,693	2,107
Total Expenditures	24,610,256	26,570,895	23,561,929	3,008,966
Excess (Deficiency) of Revenues				
Over Expenditures	1,776,220	417,775	3,542,902	3,125,127
Other Financing Sources (Uses)				
Transfers in	50,000	165,000	-	(165,000)
Transfers out	(1,000,000)	(1,115,000)	(1,000,000)	115,000
Net Financing Sources (Uses)	(950,000)	(950,000)	(1,000,000)	(50,000)
NET CHANGE IN FUND BALANCES	826,220	(532,225)	2,542,902	3,075,127
Fund Balance - Beginning	7,264,214	7,264,214	7,264,214	-
Fund Balance - Ending	\$ 8,090,434	\$ 6,731,989	\$ 9,807,116	\$ 3,075,127

See accompanying notes to required supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
February 1, 2014	\$ -	\$ 334,934	\$ 334,934	0.00%	\$ 11,306,190	2.96%
November 1, 2010	\$ -	\$ 839,395	\$ 839,395	0.00%	\$ 13,441,969	6.24%

See accompanying notes to required supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0192%</u>	<u>0.0179%</u>
District's proportionate share of the net pension liability (asset)	\$ 12,959,633	\$ 10,442,625
State's proportionate share of the net pension liability (asset) associated with the District	<u>6,854,217</u>	<u>6,305,708</u>
Total	<u>\$ 19,813,850</u>	<u>\$ 16,748,333</u>
District's covered - employee payroll	<u>\$ 9,153,266</u>	<u>\$ 8,102,388</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>141.58%</u>	<u>128.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0338%</u>	<u>0.0305%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,983,480</u>	<u>\$ 3,466,065</u>
District's covered - employee payroll	<u>\$ 3,748,738</u>	<u>\$ 3,202,526</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>132.94%</u>	<u>108.23%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying notes to required supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 976,452	\$ 812,810
Contributions in relation to the contractually required contribution	976,452	812,810
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 9,100,205</u>	<u>\$ 9,153,266</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 475,748	\$ 441,264
Contributions in relation to the contractually required contribution	475,748	441,264
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,015,768</u>	<u>\$ 3,748,738</u>
Contributions as a percentage of covered - employee payroll	<u>11.847%</u>	<u>11.771%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying notes to required supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Reading Excellence	84.323A	14913	\$ 10,400
No Child Left Behind:			
Title I - Part A, Basic	84.010	14329	1,239,743
Title I - Part G, AP Fee Payment Program	84.330	14831	16,677
Title II - Teacher Quality	84.367	14341	303,155
Title III - Limited English Proficient	84.365	14346	67,332
Special Education - IDEA, Local Assistance	84.027	13379	315,575
Carl Perkins - Career and Tech. Ed.	84.048	13924	33,230
Total U.S. Department of Education			<u>1,986,112</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services			
Medicaid Programs			
Medi-Cal Administration Activities	93.778	10060	2,836
Medi-Cal Billing Option	93.778	10013	80,330
Total U.S. Department of Health and Human Services			<u>83,166</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	816,357
Especially Needy Breakfast	10.553	13526	342,289
Meals Supplements	10.555	13391	32,984
Food Distribution - Commodities	10.555	13391	51,471
Subtotal - Child Nutrition Cluster			<u>1,243,101</u>
Total U.S. Department of Agriculture			<u>1,243,101</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,312,379</u></u>

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2016

ORGANIZATION

The Dos Palos-Oro Loma Joint Unified School District was unified on July 1, 1993, and consists of an area comprising approximately 600 square miles. The District operates two elementary schools, one middle school, one high school, a community day school, and a continuation high school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Joe Castillo	President	2016
Mr. Bill Van Worth	Clerk	2016
Mr. Albert Catrina	Member	2016
Mr. Fred Coronado	Member	2018
Mrs. Marilyn Cox	Member	2018
Mr. Eric Fontana	Member	2016
Mr. Richard Hogue	Member	2018

ADMINISTRATION

Dr. Brian Walker	Superintendent of Schools
Dr. Norma Delgado	Director of Curriculum
Ms. May Yang	Business Manager

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	Audited Reports		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	692.84	692.44	692.84	692.35
Fourth through sixth	495.22	495.31	495.22	495.11
Seventh and eighth	303.54	301.69	303.53	301.69
Ninth through twelfth	672.95	669.26	670.59	669.26
Total Regular ADA	<u>2,164.55</u>	<u>2,158.70</u>	<u>2,162.18</u>	<u>2,158.41</u>
Community Day School				
Fourth through sixth	0.53	0.49	0.53	0.49
Seventh and eighth	8.04	7.26	8.04	7.26
Ninth through twelfth	-	7.75	-	-
Total Community Day School	<u>8.57</u>	<u>15.50</u>	<u>8.57</u>	<u>7.75</u>
Total ADA	<u><u>2,173.12</u></u>	<u><u>2,174.20</u></u>	<u><u>2,170.75</u></u>	<u><u>2,166.16</u></u>

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	1986-1987	2015-2016	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	58,140	180	[1]	Complied
Grades 1 - 3	50,400				
Grade 1		55,440	180	[1]	Complied
Grade 2		55,440	180	[1]	Complied
Grade 3		56,340	180	[1]	Complied
Grades 4 - 8	54,000				
Grade 4		56,340	180	[1]	Complied
Grade 5		56,340	180	[1]	Complied
Grade 6		59,658	180	[1]	Complied
Grade 7		59,658	180	[1]	Complied
Grade 8		59,658	180	[1]	Complied
Grades 9 - 12	64,800				
Grade 9		65,640	180	[1]	Complied
Grade 10		65,640	180	[1]	Complied
Grade 11		65,640	180	[1]	Complied
Grade 12		65,640	180	[1]	Complied

[1] Not applicable

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

	(Budget) 2017 ^{1,4}	2016	2015 ⁴	2014 ⁴
GENERAL FUND				
Revenues, transfers in and other sources ³	\$ 27,712,464	\$ 27,269,831	\$ 23,979,320	\$ 22,353,926
Expenditures	26,259,944	23,561,929	21,893,889	19,464,342
Other uses and transfers out	1,046,600	1,115,000	4,800,000	1,216,737
Total Expenditures and Other Uses ³	27,306,544	24,676,929	26,693,889	20,681,079
INCREASE (DECREASE) IN FUND BALANCE				
ENDING FUND BALANCE	\$ 10,211,098	\$ 9,805,178	\$ 7,212,276	\$ 9,926,845
AVAILABLE RESERVES ²	\$ 4,998,203	\$ 4,413,561	\$ 4,819,112	\$ 7,438,915
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	18.30%	17.89%	18.05%	35.97%
LONG-TERM OBLIGATIONS	Not Available	\$ 4,840,875	\$ 4,891,169	\$ 4,949,367
AVERAGE DAILY ATTENDANCE AT P-2				
	2,173	2,171	2,160	2,276

The General Fund balance has decreased by \$121,667 over the past two years. The fiscal year 2016-2017 budget projects an increase of \$405,920 (4.16 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have decreased by \$108,492 over the past two years.

Average daily attendance has decreased by 105 over the past two years. Growth of two ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

⁴ On behalf payments have been excluded from revenues and expenditures for fiscal years 2014 and 2015.

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 7,040	\$ 52,049	\$ 12,784
Receivables	39,841	30,586	30,874
Due from other funds	-	-	894
Stores inventories	-	-	24,992
Total Assets	\$ 46,881	\$ 82,635	\$ 69,544
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,552	\$ 174	\$ 22,479
Due to other funds	39,556	-	-
Total Liabilities	46,108	174	22,479
Fund Balances:			
Nonspendable	-	-	25,192
Restricted	-	82,461	21,873
Committed	773	-	-
Assigned	-	-	-
Total Fund Balances	773	82,461	47,065
Total Liabilities and Fund Balances	\$ 46,881	\$ 82,635	\$ 69,544

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ 8,811	\$ 358,371	\$ 120	\$ 1,079,797	\$ 384,274
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 8,811</u>	<u>\$ 358,371</u>	<u>\$ 120</u>	<u>\$ 1,079,797</u>	<u>\$ 384,274</u>
\$ -	\$ -	\$ -	\$ 7,825	\$ -
-	-	-	-	-
-	-	-	7,825	-
-	-	-	-	-
8,811	358,371	120	-	384,274
-	-	-	-	-
-	-	-	1,071,972	-
<u>8,811</u>	<u>358,371</u>	<u>120</u>	<u>1,071,972</u>	<u>384,274</u>
<u>\$ 8,811</u>	<u>\$ 358,371</u>	<u>\$ 120</u>	<u>\$ 1,079,797</u>	<u>\$ 384,274</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, Continued
JUNE 30, 2016**

	Total Non-Major Governmental Funds
ASSETS	
Deposits and investments	\$ 1,903,246
Receivables	101,301
Due from other funds	894
Stores inventories	24,992
Total Assets	\$ 2,030,433
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 37,030
Due to other funds	39,556
Total Liabilities	76,586
Fund Balances:	
Nonspendable	25,192
Restricted	855,910
Committed	773
Assigned	1,071,972
Total Fund Balances	1,953,847
Total Liabilities and Fund Balances	\$ 2,030,433

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ -	\$ -	\$ 1,191,630
Other State sources	56,332	178,040	96,957
Other local sources	49	47,127	68,034
Total Revenues	56,381	225,167	1,356,621
EXPENDITURES			
Current			
Instruction	49,195	157,698	-
Instruction-related activities:			
Supervision of instruction	1,914	7,459	-
Pupil services:			
Food services	-	-	1,333,029
All other pupil services	833	-	-
Administration:			
All other administration	4,391	7,180	69,690
Plant services	-	9,719	84,456
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	56,333	182,056	1,487,175
Excess (Deficiency) of Revenues			
Over Expenditures	48	43,111	(130,554)
Other Financing Sources			
Transfers in	-	-	-
Net Financing Sources	-	-	-
NET CHANGE IN FUND BALANCES	48	43,111	(130,554)
Fund Balance - Beginning	725	39,350	177,619
Fund Balance - Ending	\$ 773	\$ 82,461	\$ 47,065

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	297	-
67	210,966	1	2,019	409,524
<u>67</u>	<u>210,966</u>	<u>1</u>	<u>2,316</u>	<u>409,524</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	81,888	-
-	-	-	62,912	-
-	-	-	-	290,000
-	-	-	-	35,537
<u>-</u>	<u>-</u>	<u>-</u>	<u>144,800</u>	<u>325,537</u>
67	210,966	1	(142,484)	83,987
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
67	210,966	1	857,516	83,987
8,744	147,405	119	214,456	300,287
<u>\$ 8,811</u>	<u>\$ 358,371</u>	<u>\$ 120</u>	<u>\$ 1,071,972</u>	<u>\$ 384,274</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES, Continued
FOR THE YEAR ENDED JUNE 30, 2016**

	Total Non-Major Governmental Funds
REVENUES	
Federal sources	\$ 1,191,630
Other State sources	331,626
Other local sources	737,787
Total Revenues	<u>2,261,043</u>
EXPENDITURES	
Current	
Instruction	206,893
Instruction-related activities:	
Supervision of instruction	9,373
Pupil services:	
Food services	1,333,029
All other pupil services	833
Administration:	
All other administration	81,261
Plant services	176,063
Facility acquisition and construction	62,912
Debt service	
Principal	290,000
Interest and other	35,537
Total Expenditures	<u>2,195,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>207,626</u>
Other Financing Sources	
Transfers in	1,000,000
Net Financing Sources	<u>1,000,000</u>
NET CHANGE IN FUND BALANCES	1,065,142
Fund Balance - Beginning	888,705
Fund Balance - Ending	<u><u>\$ 1,953,847</u></u>

See accompanying note to supplementary information.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of commodities received by the District and which are not recorded in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 3,260,908
Reconciling item:		
Food Distribution - Commodities	10.555	51,471
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,312,379</u>

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.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Dos Palos-Oro Loma Joint Unified School District
Dos Palos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dos Palos-Oro Loma Joint Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Dos Palos-Oro Loma Joint Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dos Palos-Oro Loma Joint Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Dos Palos-Oro Loma Joint Unified School District in a separate letter dated December 15, 2016.

Purpose of This Report

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

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 15, 2016



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

Governing Board
Dos Palos-Oro Loma Joint Unified School District
Dos Palos, California

Report on Compliance for Each Major Federal Program

We have audited Dos Palos-Oro Loma Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dos Palos-Oro Loma Joint Unified School District's (the District) major Federal programs for the year ended June 30, 2016. Dos Palos-Oro Loma Joint Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Dos Palos-Oro Loma Joint Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dos Palos-Oro Loma Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 15, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Dos Palos-Oro Loma Joint Unified School District
Dos Palos, California

Report on State Compliance

We have audited Dos Palos-Oro Loma Joint Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Dos Palos-Oro Loma Joint Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Dos Palos-Oro Loma Joint Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Dos Palos-Oro Loma Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dos Palos-Oro Loma Joint Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Attendance Reporting

As described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, Dos Palos-Oro Loma Joint Unified School District did not comply with requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Dos Palos-Oro Loma Joint Unified School District to comply with the requirements applicable to the program.

Qualified Opinion on Attendance Reporting

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dos Palos-Oro Loma Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Dos Palos-Oro Loma Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Dos Palos-Oro Loma Joint Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes

Procedures
Performed

CHARTER SCHOOLS

Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

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

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform procedures for the After School Education and Safety Program because the District does not offer the program.

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Varrinck, Trine, Day + Co. LLP

Fresno, California
December 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditor's 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>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Attendance Reporting</u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance

2016-001 10000

Attendance Reporting

Criteria

According to the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in Average Daily Attendance (ADA). [*Education Code Sections 41341 (a)(1) and 14503 (a)*].

Condition

During our audit of the District's Second Period and Annual reports of School District Attendance, we found that ADA figures were reported incorrectly as outlined in the table below.

	<u>Original Attendance Report</u>	<u>Revised Attendance Report</u>	<u>Difference</u>
SECOND PERIOD			
ATTENDANCE REPORT			
Regular ADA			
Grades TK/K-3	692.84	692.84	-
Grades 4-6	495.22	495.22	-
Grades 7-8	303.54	303.53	(0.01)
Grades 9-12	672.95	670.59	(2.36)
Total Regular ADA	<u>2,164.55</u>	<u>2,162.18</u>	<u>(2.37)</u>
Community Day School			
Grades 4-6	0.53	0.53	-
Grades 7-8	8.04	8.04	-
Total Community Day School ADA	<u>8.57</u>	<u>8.57</u>	-
Second Period ADA Totals	<u><u>2,173.12</u></u>	<u><u>2,170.75</u></u>	<u><u>(2.37)</u></u>

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Attendance Report	Revised Attendance Report	Difference
ANNUAL ATTENDANCE REPORT			
Regular ADA			
Grades TK/K-3	692.44	692.35	(0.09)
Grades 4-6	495.31	495.11	(0.20)
Grades 7-8	301.69	301.69	-
Grades 9-12	669.26	669.26	-
Total Regular ADA	2,158.70	2,158.41	(0.29)
Community Day School			
Grades 4-6	0.49	0.49	-
Grades 7-8	7.26	7.26	-
Grades 9-12	7.75	-	(7.75)
Total Community Day School ADA	15.50	7.75	(7.75)
Annual ADA Totals	2,174.20	2,166.16	(8.04)

Effect

Subsequent to our discovery of the attendance reporting errors, the District has revised their attendance reports as noted above. The revisions will result in funding revisions as noted in the Questioned Cost section below.

Questioned Cost

On the Second Period Attendance Report the overstatements of 0.01 ADA for Grades 7-8 and 2.36 ADA for Grades 9-12 results in a questioned cost of approximately \$20,800.

For the Annual Attendance Report the overstatement for Grades TK/K-3 and Grades 4-6 does not affect the District’s funding as these programs are funded on the Second Period Attendance Report. However, the overstatement of 7.75 ADA for Community Day School results in a questioned cost of approximately \$68,000 as this program is funded on the Annual Attendance Report.

Cause

The District has experienced significant turnover in personnel in recent years, and it appears that the individual now responsible for preparing the attendance reports incorrectly entered the ADA figures from the AERIES reports to the state reports.

Recommendation

The District has revised both their Second Period Attendance Report and Annual Attendance Report of School District Attendance to reflect the audited ADA. The District needs to implement procedures to have a second knowledgeable person review the state reports prior to their submission.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Corrective Action Plan

The Business Manager will train and show the Accounting Technician how to complete and do the ADA Reporting so that there is another person besides the Business Manager who will understand and know how to do the reporting. At each reporting period, the Business Manager or the Accounting Technician will complete the reporting and have the other person look over the numbers before submission. This will prevent oversight and minimize errors on future reporting.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Except as specified in previous sections of this report, summarized below is the current status of the audit finding reported in the prior year's schedule of financial statement findings.

State Awards Findings and Questioned Costs

2015-001 10000

Attendance Reporting

Criteria

According to the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in Average Daily Attendance (ADA). [*Education Code Sections 41341 (a)(1) and 14503 (a)*].

Condition

During our audit of the District's Second Period and Annual Reports of School District Attendance, we found that ADA figures were reported incorrectly as outlined in the table below.

	Audited Attendance Report	Revised Attendance Report	Difference
SECOND PERIOD			
ATTENDANCE REPORT			
Regular ADA			
Grades TK/K-3	694.06	694.03	(0.03)
Grades 4-6	469.30	469.44	0.14
Grades 7-8	330.80	322.96	(7.84)
Grades 9-12	655.36	665.81	10.45
Total Regular ADA	2,149.52	2,152.24	2.72
Community Day School			
Grades 4-6	0.32	0.23	(0.09)
Grades 7-8	10.06	7.49	(2.57)
Total Community Day School ADA	10.38	7.72	(2.66)
Second Period ADA Totals	2,159.90	2,159.96	0.06

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

	Audited Attendance Report	Revised Attendance Report	Difference
ANNUAL ATTENDANCE REPORT			
Regular ADA			
Grades TK/K-3	695.28	695.63	0.35
Grades 4-6	472.17	470.64	(1.53)
Grades 7-8	321.47	321.47	-
Grades 9-12	665.91	689.52	23.61
Total Regular ADA	<u>2,154.83</u>	<u>2,177.26</u>	<u>22.43</u>
Community Day School			
Grades 4-6	0.17	0.17	-
Grades 7-8	8.37	8.34	(0.03)
Total Community Day School ADA	<u>8.54</u>	<u>8.51</u>	<u>(0.03)</u>
Annual ADA Totals	<u><u>2,163.37</u></u>	<u><u>2,185.77</u></u>	<u><u>22.40</u></u>

Effect

The District will need to revise their Second Period Attendance Report and Annual Attendance Report to reflect the differences noted in the table above.

Questioned Cost

There is no questioned cost for the errors on the Second Period Attendance Report, however, the understatement of 2.72 ADA for Regular Programs will result in a additional funding for the District as the Regular Programs are funded on the Second Period Report. For the Annual Attendance Report, there is no questioned cost for the Regular Programs, however, the overstatement of 0.03 ADA for Community Day School results in a questioned cost of approximately \$220 based on per pupil funding of \$7,328.

Cause

The District has experienced significant turnover in personnel over the prior two years, and it appears that the individual now responsible for preparing the attendance reports was not always using the correct reports from the attendance system.

Recommendation

The District needs to revise their Second Period Attendance Report and Annual Attendance Report of School District Attendance to reflect the audited ADA. The District should also implement procedures to ensure that the preparer of the state attendance reports has complete knowledge of how to utilize the attendance system reports for preparation of the state reports. The District should also have a second knowledgeable person review the state reports prior to their submission.

DOS PALOS-ORO LOMA JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Current Status

Not implemented. See current year findings and recommendations.



Governing Board
Dos Palos-Oro Loma Joint Unified School District
Dos Palos, California

In planning and performing our audit of the financial statements of Dos Palos-Oro Loma Joint Unified School District, for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2016, on the government-wide financial statements of the District.

DOS PALOS HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Reconciliation Incorrect

Observation

During our audit, we discovered bank reconciliations were prepared monthly but did not accurately reconcile to the check register. This situation puts the District and site in a position of not knowing how much money they actually have. We also noted that there was no independent review of the reconciliations.

Recommendation

Bank reconciliations are intended to address differences in bank statement figures from check register figures and determine the current availability of funds. Timely and complete entries made in the check register for checks written and distributed and deposits made and taken to the bank will assist the ASB bookkeeper in balancing the checkbook. A separate list of outstanding checks that is kept updated through the bank reconciliation process will also be helpful in keeping accurate bank account records. Furthermore, the site should have an independent review of the bank reconciliation prepared. The preparer and reviewer should sign and date the reconciliation and the reviewer should initial the bank statement.

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered teachers are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding the funds to the ASB bookkeeper in a timely manner.

We also noted the receipts written by the bookkeeper are not reconciled to bank deposits. Without this process, the bookkeeper has no way to determine if all receipts written were subsequently deposited to the bank account.

Recommendation

Prenumbered receipts should be issued for all collections by teacher, advisors, and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to each current bank deposit.

Ticket Sales Reconciliation

Observation

A Ticket Sales Recap Form is prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper. However, we noted an instance where there was a substantial difference (\$214) between what was deposited (\$4,190) to what was calculated (\$3,976) based the difference between the starting and ending ticket numbers. The difference was appropriately documented on the recap form but there was no further explanation as to what caused the difference.

Recommendation

The Ticket Sales Recap Form should have a specific section that documents any difference between what was actually collected to what should have been collected. Any differences and the explanations for such differences should be sufficiently documented.

Cash Disbursements

Observation

We discovered some disbursement requests were dated after the date on the invoice. This would indicate items are being purchased prior to their approval.

We also noted one instance where a check was written that did not have an invoice attached as supporting documentation. The site paid a vendor based on the "balance forward" line item of a monthly statement.

Recommendation

The site should review the cash disbursement procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased.

Furthermore, the site should only pay vendors that have sufficient supporting documentation.

BRYANT MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Bank Reconciliation Incorrect

Observation

The site installed a new version of their accounting software but the club accounts were not created using the proper method or with the correct balances. As a result the ASB checking account has been reconciled using an excel spreadsheet and the reconciled ledger balance does not materially tie back to the bank account balance. The site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Cash Receipts

Observation

While auditing the cash receipts system, we discovered that teachers are not using sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, the amount of money, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding money to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

Recommendation

Pre-numbered receipts should be issued for all cash collections by teachers, advisors and the site bookkeeper, which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in.

Revenue Potentials

Observation

During our audit we noted that Revenue Potential Forms are on file, but with only preliminary "potential" income and, infrequently, actual cash collections reported. The "recap" portion of the form that lists compares actual income to the potential, and provides for discrepancies, is not being completed.

Recommendation

The site should implement procedures in which all Revenue Potential Forms are completed in full. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The Revenue Potential Form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The Revenue Potential Form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

DOS PALOS ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Bank Reconciliation Incorrect

Finding

During our audit, we found that bank reconciliations are not completed properly and there is no independent review of the reconciliations. This situation means that the site cannot be aware of its available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be prepared accurately in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts. Upon completion, a qualified reviewer who is not the person completing the reconciliation should review the reconciliation to ensure accuracy and completeness.

Pencil Machine/Apparel Sales

Observation

A portion of ASB funds collected is from pencil machine sales. Currently, there is no reconciliation or accounting for the total funds that should have been collected from the machine sales. We also discovered that a regular physical count of inventory is not being performed or maintained.

Recommendation

To improve internal controls a pencil machine sales analysis should be completed by whoever has responsibility for collecting the money from the machine and stocking it. This form should be forwarded to the bookkeeper along with all cash collected from the machine. The form should track the merchandise purchases to stock the machine, the item counts each time the machine is restocked, and the potential revenue that should have been collected from the machine based on the number of items sold for the period and the price of the items. The monies collected should be verified and receipted immediately. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, a physical inventory should be taken quarterly. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. A similar process should be used for apparel sales.

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

Varrinck, Trine, Day & Co. LLP

Fresno, California
December 15, 2016