

DUNSMUIR JOINT UNION HIGH SCHOOL
DISTRICT

COUNTY OF SISKIYOU
DUNSMUIR, CALIFORNIA

ANNUAL FINANCIAL REPORT
JUNE 30, 2016

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2016

The Dunsmuir Joint Union High School District (District) was established on April 17, 1911 and comprises an area located in Siskiyou County. There were no changes in the boundaries of the District during the current year. The District currently operates two schools to provide secondary educational services to pupils in grades nine through twelve.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Janice Garriqus	President	November, 2016
Dr. William Townsend	Clerk	November, 2018
Mr. Chris Langston	Trustee	November, 2018
Mr. Jimmy Palmer	Trustee	November, 2016
Mr. Bob Saltzgaver	Trustee	November, 2018

ADMINISTRATION

<u>Name</u>	<u>Title</u>	<u>Tenure</u>
Mr. Ray Kellar	Superintendent / Principal	20 Years
Ms. Kim A. Vardanega	Business Manager	38 Years

ADDRESS OF DISTRICT OFFICE

5805 High School Way
Dunsmuir, CA 96025

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	
Organization	
Table of Contents	
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 16
FINANCIAL SECTION	
Basic Financial Statements	
Government-Wide	
Statement of Net Position	17
Statement of Activities	18
Governmental Funds	
Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Notes to Financial Statements	23 - 49

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Budgetary Comparison Schedule - General Fund	50
Schedule of the Local Government's Proportionate Share of the Net Pension Liability	51
Schedule of Contributions	52
Notes to Required Supplementary Information	53 - 54
SUPPLEMENTARY INFORMATION SECTION	
Other Governmental Funds Financial Statements	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56
Schedule of Average Daily Attendance	57
Schedule of Instructional Time	58
Schedule of Financial Trends and Analysis	59
Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements	60
Notes to Supplementary Information	61
OTHER 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 <i>Government Auditing Standards</i>	62 - 63
Independent Auditor's Report on State Compliance	64 - 66
FINDINGS AND RESPONSES SECTION	
Findings and Responses	67 - 69
Summary Schedule of Prior Audit Findings	70

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dunsmuir Joint Union High School District
Dunsmuir, 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 Dunsmuir Joint Union High School District (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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Dunsmuir Joint Union High 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of contributions, on pages 4 through 16 and 50 through 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the District's introductory section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information as listed in the table of contents are required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

This information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and accompanying supplementary information as listed in the table of contents as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Robertson & Associates, CPAs

Lakeport, California
December 14, 2016

**Dunsmuir Joint Union High School District
Management's Discussion and Analysis
June 30, 2016**

INTRODUCTION

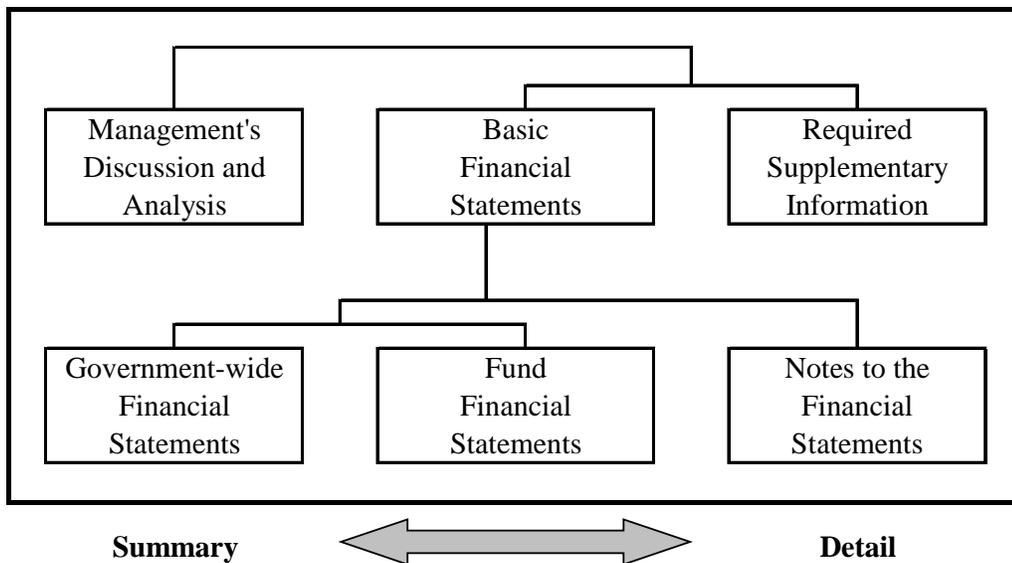
Our discussion and analysis of Dunsmuir Joint Union High School District (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$6,646,766 at June 30, 2016. This was an increase of \$11,500 from the prior year.
- ❑ Overall revenues were \$1,942,152, overall expenses were \$1,930,652.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.

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

Government-Wide Statements

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

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. The net position of the District has increased by an immaterial amount over the past year.

With the passage of LCFF, the District’s high unduplicated pupil count, and the prior year’s positive growth in funding towards target, the District is experiencing a level of consistent funding with growth potential. Along with this, the District watches its budget closely and functions with prudent expenditure policies. The District also work diligently to maintain optimum reserves to have the ability to do the major one-time-only expenditures that are and will be needed in the future to meet not only the educational needs, but the plant and transportation needs. A safe and secure education environment is paramount in offering a high quality educational experience. The District works conscientiously to maintain positive operating principals while providing up-to-date educational opportunities for career and college readiness for our students. The District is implementing the College Readiness Grant, has received a CTEIG Grant, and is implementing an aggressive Adult Education program with funding received from a California State Adult Education Initiative Grant.

- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities. The District's average daily attendance has increased by 9 ADA in the past year.

In the 2015/2016 school year the P2 ADA was 62.58 increasing from the 2014/2015 prior year of 54.02. In an era of competitiveness for students the District strives to offer exciting and innovative programs to attract, keep and engage its students for both career technology and college readiness. The District is aware of the difficulties in maintaining enrollment and ADA in today's world of alternate educational choices. The District is working rigorously to continue to grow new program offerings e.g. Geographic Information Systems (GIS) instruction, STEAM implementation, Culinary Arts, and Forestry and Land Management, to be the choice of students and parents. The District feels in addition to high standards in core curricular offerings, the addition of complementary courses such as drama, music, art, along with a full sports and extra-curricular program, also enhances the total educational experience.

- The District has entered into a partnership with the New Frontier Theatre Company that will provide additional learning and career opportunities.
- The District is aiming to finalize articulation with the Oregon Coast Culinary Institute and the Klamath Culinary College.
- The District is working with agencies such as USFS, CalFire, The River Exchange, Black Fox to develop a certification program.
- The District is working with College of the Siskiyou for dual enrollment agreements and will be immediately implementing the College Readiness Grant Plan.
- The District is working collaboratively with local feeder elementary schools and the community at large for a continuous path of education and local support.
- The District is steadfast in its goal to continue with providing all students and staff with state of the art technology.
- The District will continue to maintain the excellent facilities it has as afforded by the complete modernization of the plant a few years ago.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statements

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

- Some funds are required to be established by State law and by bond covenants.
- The governing board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The District has one type of fund:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources than previously to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds' statements that explains the relationship (or differences) between them.

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,322,915 as compared to the prior year's ending fund balance of \$2,109,679.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$6,646,766 at June 30, 2016.

	Governmental Activities		Net Change
	2016	2015	
ASSETS			
Cash and Equivalents	\$ 1,878,097	\$ 1,533,500	\$ 344,597
Investments	260,829	259,895	934
Other Current Assets	354,903	349,179	5,724
Capital Assets, Net of Accumulated Depreciation	5,277,414	5,399,809	(122,395)
TOTAL ASSETS	<u>\$ 7,771,243</u>	<u>\$ 7,542,383</u>	<u>\$ 228,860</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources - Pensions	\$ 155,347	\$ 80,656	\$ 74,691
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 155,347</u>	<u>\$ 80,656</u>	<u>\$ 74,691</u>
LIABILITIES			
Current Liabilities	\$ 170,914	\$ 32,895	\$ 138,019
Long-Term Liabilities	900,834	762,959	137,875
TOTAL LIABILITIES	<u>\$ 1,071,748</u>	<u>\$ 795,854</u>	<u>\$ 275,894</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Pensions	\$ 208,076	\$ 191,919	\$ 16,157
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 208,076</u>	<u>\$ 191,919</u>	<u>\$ 16,157</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 5,277,414	\$ 5,399,809	\$ (122,395)
Restricted	367,909	78,938	288,971
Unrestricted	1,001,443	1,156,519	(155,076)
TOTAL NET POSITION	<u>\$ 6,646,766</u>	<u>\$ 6,635,266</u>	<u>\$ 11,500</u>

Changes in Net Position

	Governmental Activities		Net Change
	2016	2015	
REVENUES			
Program Revenues:			
Charges for Services	\$ 76,997	\$ 3,052	\$ 73,945
Operating Grants and Contributions	251,829	273,125	(21,296)
General Revenues:			
Property Taxes	500,599	478,110	22,489
Unrestricted Federal and State Aid	1,062,246	1,083,321	(21,075)
Miscellaneous and Other Local	50,481	65,857	(15,376)
TOTAL REVENUES	<u>1,942,152</u>	<u>1,903,465</u>	<u>38,687</u>
EXPENSES			
Instruction	864,288	807,564	56,724
Instruction-Related Services	239,861	199,414	40,447
Pupil Services	182,356	125,292	57,064
General Administration	173,624	158,470	15,154
Plant Services	367,451	259,057	108,394
Ancillary Services	100,318	109,231	(8,913)
Transfers Between Agencies	2,754	45,115	(42,361)
TOTAL EXPENSES	<u>1,930,652</u>	<u>1,704,143</u>	<u>226,509</u>
INCREASE (DECREASE) IN NET POSITION	11,500	199,322	(187,822)
NET POSITION - BEGINNING	<u>6,635,266</u>	<u>6,435,944</u>	<u>199,322</u>
NET POSITION - ENDING	<u>\$ 6,646,766</u>	<u>\$ 6,635,266</u>	<u>\$ 11,500</u>

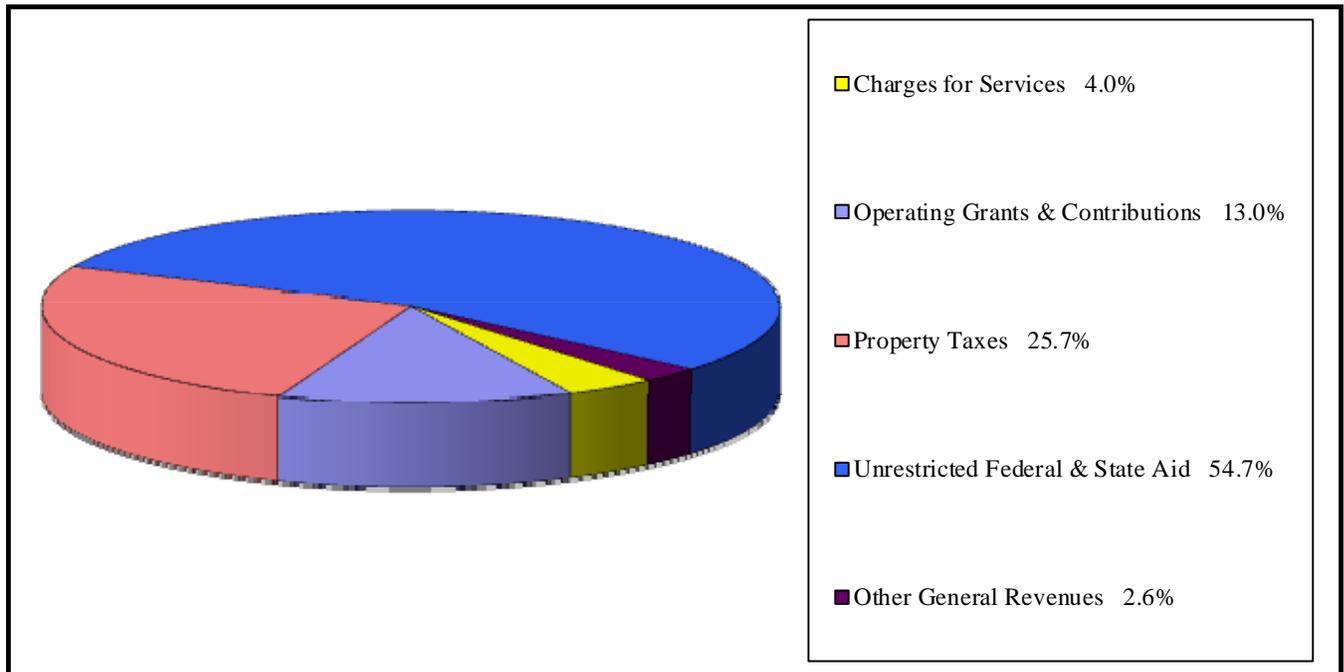
Governmental Activities

Net cost is total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants and capital grants and contributions.

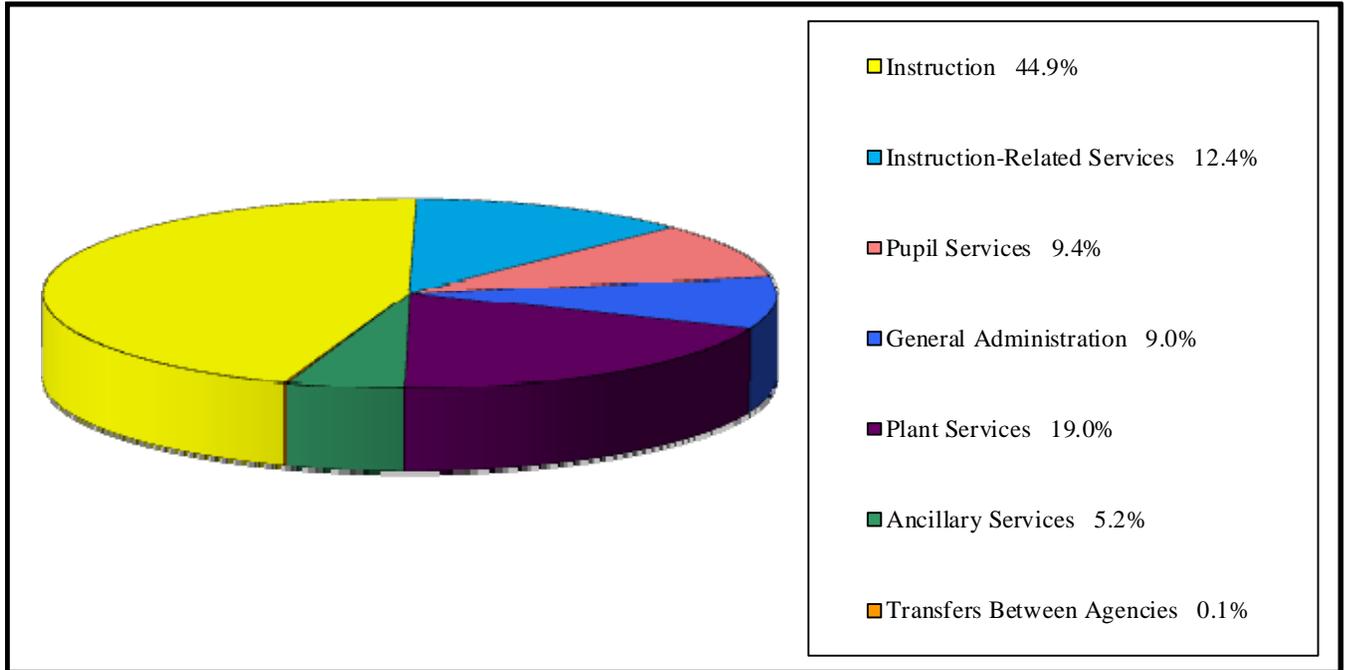
Net Cost of Services

	Net Cost of Services		Net Change
	2016	2015	
NET COST OF SERVICES			
Instruction	\$ 675,512	\$ 641,688	\$ 33,824
Instruction-Related Services	230,078	192,234	37,844
Pupil Services	118,955	82,090	36,865
General Administration	164,606	146,855	17,751
Plant Services	365,813	239,221	126,592
Facility Acquisition and Construction	(30,940)	(3,312)	(27,628)
Ancillary Services	75,048	85,556	(10,508)
Transfers Between Agencies	2,754	45,115	(42,361)
Other Outgo	-	(1,481)	1,481
TOTAL NET COSTS OF SERVICES	\$ 1,601,826	\$ 1,427,966	\$ 173,860

2015/2016 Summary of Revenues for Governmental Activities



2015/2016 Summary of Expenses for Governmental Activities



Fund Balance Comparison

The District currently maintains the following funds:

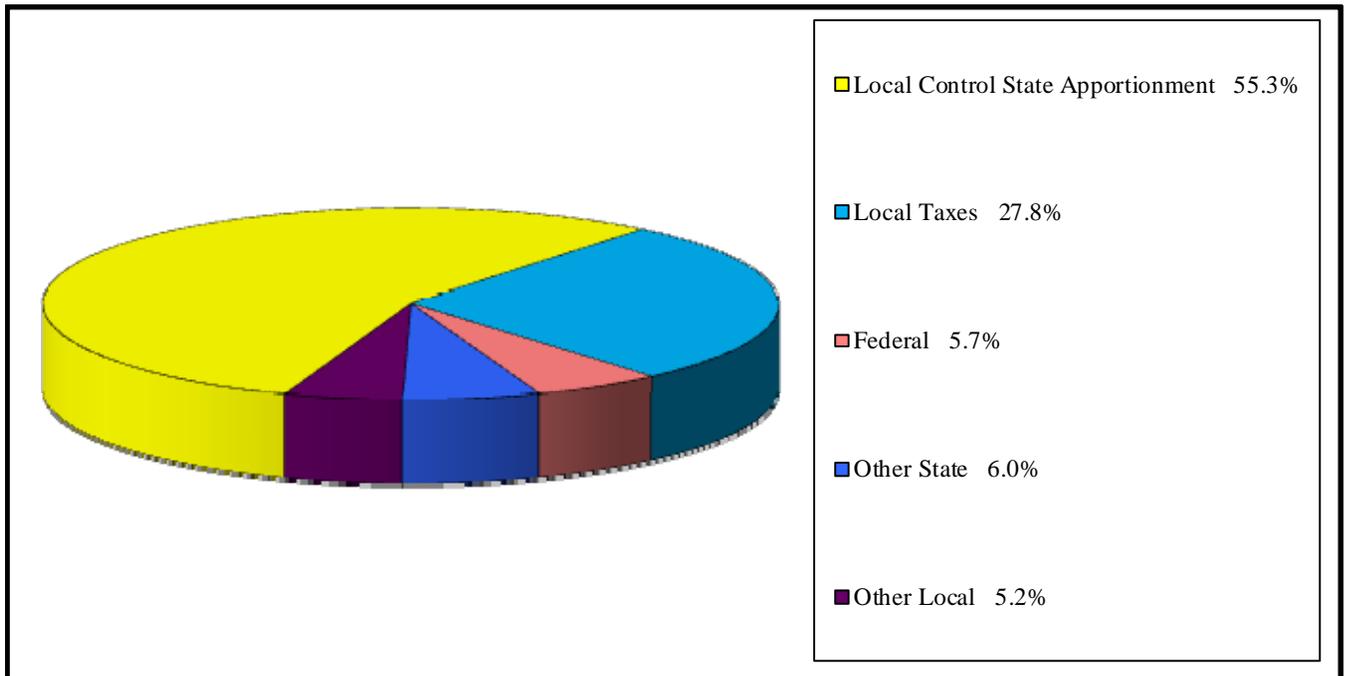
FUNDS	Ending Fund Balance		Net Change
	2016	2015	
Governmental:			
General	\$ 1,141,312	\$ 941,078	\$ 200,234
Adult Education	55,480	-	55,480
Cafeteria Special Revenue	14,926	11,946	2,980
Capital Facilities	13,230	11,851	1,379
County School Facilities	50	50	-
Special Reserve Fund for Capital Outlay Projects	1,097,917	1,144,754	(46,837)
Total Governmental	<u>2,322,915</u>	<u>2,109,679</u>	<u>213,236</u>
TOTAL FUNDS	<u>\$ 2,322,915</u>	<u>\$ 2,109,679</u>	<u>\$ 213,236</u>

General Fund

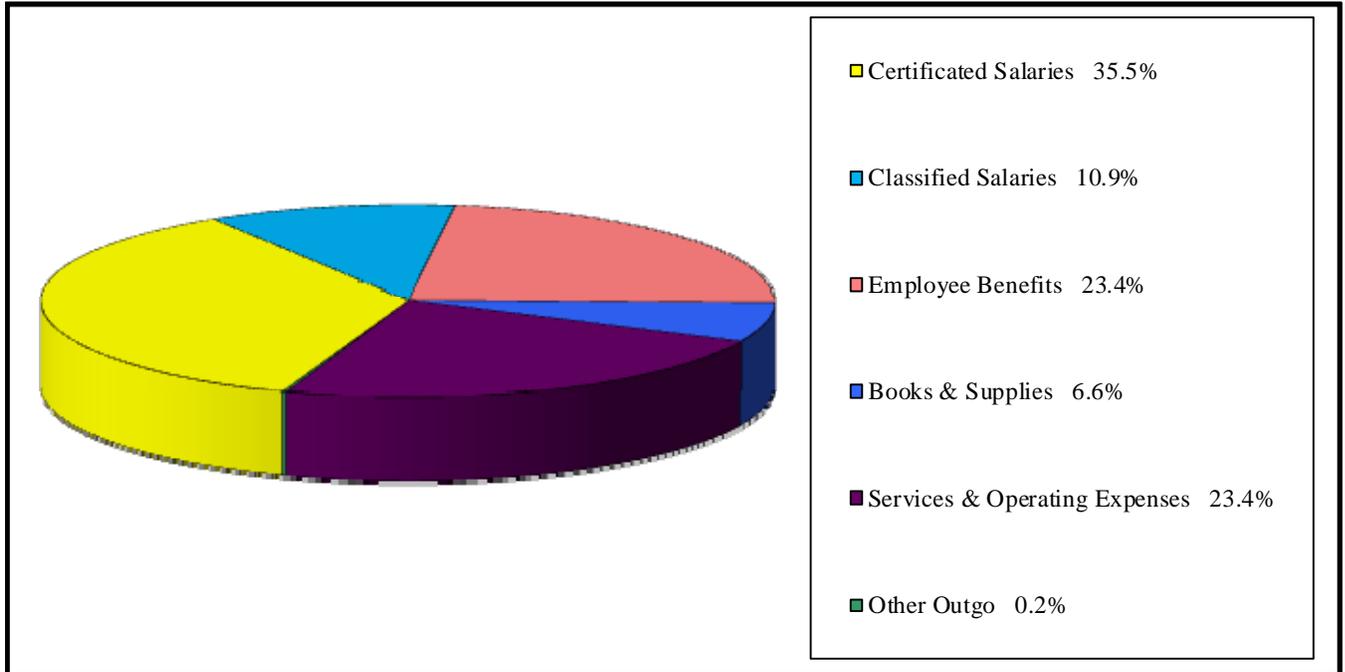
The District has a significantly high percentage of unduplicated students that benefits the District through the LCFF calculations for funding and is funded under the Necessary Small School Funding formula. The District is participating in an MOU agreement with College of the Siskiyou for Adult Education program funding thus opened the Adult Education Fund to properly track those funds. The District has received a CTEIG Grant that will operate through the General Fund. Through prudent spending habits, and excellent faculty and staff, the District is able to provide an excellent program as well as plan for fiscal uncertainties and major expenditures thus transferring out funds for planned large one-time expenditures; new bus, building improvements and maintenance, continued technology upgrades, new programs, PERS/STRS increases.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

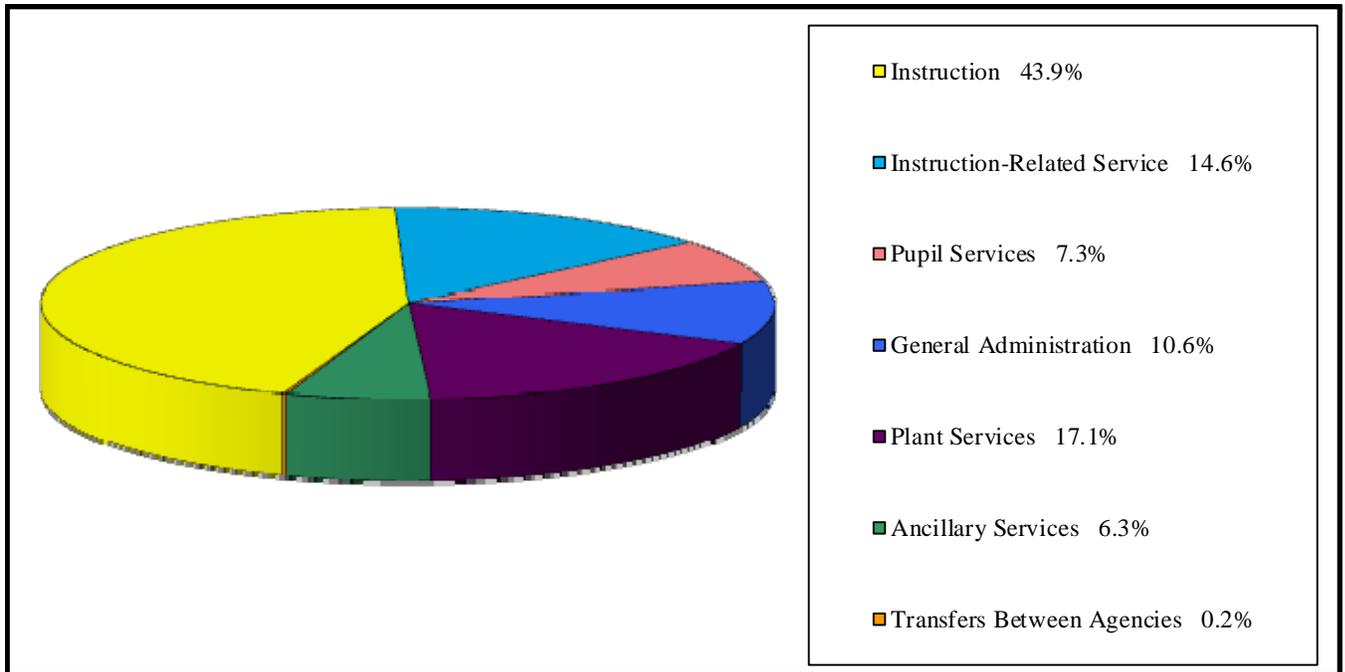
2015/2016 General Fund Revenues



2015/2016 General Fund Expenditures by Object



2015/2016 General Fund Expenditures by Function



Other Governmental Funds

Other governmental funds had the following activity and changes for the year ended June 30, 2016:

The Adult Education Fund

By Board action, the District opened the Adult Education Fund to operate the funds received to develop and run the Adult Education Program funded with an MOU through College of the Siskiyous. The District is actively developing program offerings.

The Cafeteria Special Revenue Fund

The District continues to keep a positive fund balance within state guidelines. The District operates not only as a Community Eligibility Provision funded program, but also as a ROP educational classroom. The District currently supports the personnel costs in order to allow all federal and state funds to be utilized for student enrichment.

The Capital Facilities Fund

The District did a justification study in 2015. The District is collecting the maximum allowable fees, but will be looking into the possibility of Level III fees. Funds have been used for allowable engineering costs in relation to the Prop 39 project.

The County School Facilities Fund

The District has no current projects in The County School Facilities Fund. The District will be looking into any new funds as become available passage of propositions from the recent 2016 election.

The Special Reserve Fund for Capital Outlay Projects

The Board of Trustees approved Resolution 16-17-3 and updated GASB 54 committing funds for the following:

- Technology: Meet the needs of the 21st Century equipment and connectability.
- Vehicle Capital Outlay: Providing transportation for our attendance area is fundamental to provide a quality education for the students. Bus and vehicle replacement.
- Forest Management/Academy: Manage 164 acres for safety (fire and erosion), good forestry and land management; along with provide a Natural Resources Program in conjunction with USFS, CalFire, River Exchange.
- Field and Grounds: Track and field improvement, tennis court repairs. Stay compliant with Williams EC 35186.
- Gym/Weight Room and Building Improvements: HVAC system. Comply with Williams EC 35186.
- Building Expansion/Improvement: Carport structure or expansion of building for bus and vehicles (bus barn and greenhouse storage).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$5,277,414 invested, net of accumulated depreciation, in capital assets. Current year depreciation expense is \$142,013.

Surplus equipment was disposed of, following Board Policy, as new equipment was purchased with the Culinary Arts Perkin's Grant in the prior year. While none of the District's land met the District's threshold for capitalization, a small portion of land was sold to the City of Dunsmuir for a new water tank. The sale was predicated by imminent domain.

	Governmental Activities		Net Change
	2016	2015	
CAPITAL ASSETS			
Land Improvements	\$ 21,134	\$ 21,134	\$ -
Buildings And Improvements	5,760,323	5,760,323	-
Equipment	145,450	155,872	(10,422)
Vehicles	231,779	231,779	-
Accumulated Depreciation	(881,272)	(769,299)	(111,973)
NET CAPITAL ASSETS	<u>\$ 5,277,414</u>	<u>\$ 5,399,809</u>	<u>\$ (122,395)</u>

Long-Term Debt

At June 30, 2016, the District had \$900,834 in long-term debt.

The Net pension liability is recorded in accordance with GASB 68 requirements. Compensated absences yearly accumulation was in excess of time used.

	Governmental Activities		Net Change
	2016	2015	
LONG-TERM DEBT			
Net Pension Liability	\$ 841,758	\$ 707,572	\$ 134,186
Compensated Absences	59,076	55,387	3,689
TOTAL LONG-TERM DEBT	<u>\$ 900,834</u>	<u>\$ 762,959</u>	<u>\$ 137,875</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference in the original versus final budget amounts and actual versus budget amounts is primarily due to the following:

The original budget is built late in the 2014/2015 school year based on educated estimates of funding and anticipated expenditures. During the year the budget and expenditures are formally reviewed, adjusted and approved by the Board of Trustees at 1st Interim and 2nd Interim to meet current estimations at the time. Any material change is taken to the Board at the time for approval as the year progresses as new funds are received, or a need arises. Minimal differences exist between the original budget and the end of year actuals.

- ❑ Negotiated one-time off the salary schedule settlement; paid over two years one-half 2015/2016 one-half in 2016/2017.
- ❑ STEAM Coordinator position budgeted for, but not filled.
- ❑ Capital project (gym HVAC) tabled.
- ❑ Additional funds approved and transferred to Fund 14 over and above planned budget transfer.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved October 12, 2016. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ❑ The District is actively exploring and establishing new adult education programs, expanding the land management program and the culinary arts program, along with other new and innovative ideas and programs to increase and attract student involvement.
- ❑ Implementing new Grants i.e. CTEIG, College Readiness, Adult Ed, Get Focused/Stay Focused.
- ❑ Prop 39 5th Year Plan development (1st - 4th year project completed).
- ❑ Implementation of new minimum wage requirements; develop new salary schedules.
- ❑ Work with the community to continue with positive growth in enrollment.
- ❑ Develop forest management sale of timber.
- ❑ Repair areas of hillside slippage concern.
- ❑ Continue to plan and prepare for unknowns by being fiscally prudent.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Kim Vardanega, 5805 High School Way, Dunsmuir, CA 96025, phone 530-235-4835.

FINANCIAL SECTION

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 1,878,097
Investments	260,829
Accounts receivable	349,691
Stores inventories	3,610
Prepaid expenses	1,602
Capital assets:	
Depreciable, net of accumulated depreciation	5,277,414
Total Assets	\$ 7,771,243
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pensions	\$ 155,347
Total Deferred Outflows of Resources	\$ 155,347
LIABILITIES	
Accounts payable	\$ 121,837
Unearned revenue	49,077
Long-term debt:	
Due within one year	167,162
Due after one year	733,672
Total Liabilities	\$ 1,071,748
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pensions	\$ 208,076
Total Deferred Inflows of Resources	\$ 208,076
NET POSITION	
Net Investment in capital assets	\$ 5,277,414
Restricted for:	
Capital projects	13,280
Educational programs	139,963
Other purposes (expendable)	214,666
Unrestricted	1,001,443
Total Net Position	\$ 6,646,766

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 864,288	\$ 71,980	\$ 116,796	\$ (675,512)
Instruction-related services:				
Supervision of instruction	11,726	-	3,407	(8,319)
Instructional library, media and technology	5,918	-	116	(5,802)
School site administration	222,217	-	6,260	(215,957)
Pupil services:				
Home-to-school transportation	48,414	-	-	(48,414)
Food services	49,560	5,017	45,388	845
All other pupil services	84,382	-	12,996	(71,386)
General administration:				
Data processing	637	-	-	(637)
All other general administration	172,987	-	9,018	(163,969)
Plant services	367,451	-	1,638	(365,813)
Facility acquisition and construction	-	-	30,940	30,940
Ancillary services	100,318	-	25,270	(75,048)
Transfers between agencies	2,754	-	-	(2,754)
Total Governmental Activities	\$ 1,930,652	\$ 76,997	\$ 251,829	(1,601,826)
GENERAL REVENUES				
Taxes and subventions:				
Property taxes levied for general purposes				500,599
Federal and state aid not restricted to specific purposes				1,062,246
Interest and investment earnings				18,720
Interagency revenues				17,759
Miscellaneous				14,002
Total General Revenues				1,613,326
Change in Net Position				11,500
Net Position - Beginning				6,635,266
Net Position - Ending				\$ 6,646,766

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 917,446	\$ 890,919	\$ 69,732	\$ 1,878,097
Investments	55,821	204,754	254	260,829
Accounts receivable	327,414	2,244	20,033	349,691
Stores inventories	-	-	3,610	3,610
Prepaid expenditures	1,602	-	-	1,602
Total Assets	\$ 1,302,283	\$ 1,097,917	\$ 93,629	\$ 2,493,829
LIABILITIES				
Accounts payable	\$ 111,894	\$ -	\$ 9,943	\$ 121,837
Unearned Revenue	49,077	-	-	49,077
Total Liabilities	160,971	-	9,943	170,914
FUND BALANCES				
Non spendable				
Cash in revolving fund	3,000	-	-	3,000
Stores inventories	-	-	3,610	3,610
Prepaid expenditures	1,602	-	-	1,602
Restricted	84,483	-	80,026	164,509
Committed				
Other commitments	826,428	1,097,917	-	1,924,345
Assigned				
Other assignments	62,790	-	50	62,840
Unassigned				
Reserve for economic uncertainties	163,009	-	-	163,009
Total Fund Balance	1,141,312	1,097,917	83,686	2,322,915
Total Liabilities and Fund Balance	\$ 1,302,283	\$ 1,097,917	\$ 93,629	\$ 2,493,829

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	Detail	Total
Total fund balances - governmental funds		\$ 2,322,915
<p>Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Historical cost of capital assets	\$ 6,158,686	
Accumulated depreciation	(881,272)	
		5,277,414
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		94,162
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the Statement of Net Position.</p>		
Net pension liability	(841,758)	
Compensated absences	(59,076)	
		(900,834)
<p>The District's share of net differences between actual and expected experience are reported in the statement of net position as deferred outflows of resources.</p>		
		22,451
<p>The District's share of changes in assumptions are reported in the statement of net position as deferred inflows of resources.</p>		
		(14,616)
<p>The District's Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions are reported in the statement of net position as deferred inflows of resources.</p>		
		(1,785)
<p>The District's share of net differences between projected and actual earnings on plan investments are reported in the statement of net position as deferred inflows and deferred outflows of resources.</p>		
		(152,941)
Total net position, governmental activities		\$ 6,646,766

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

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local control sources:				
State apportionments	\$ 997,703	\$ -	\$ -	\$ 997,703
Local sources	500,599	-	-	500,599
Federal	101,930	-	39,285	141,215
Other state	108,866	-	5,982	114,848
Other local	93,652	10,534	83,601	187,787
Total Revenues	1,802,750	10,534	128,868	1,942,152
EXPENDITURES				
Instruction	683,257	-	16,572	699,829
Instruction related services:				
Supervision of instruction	11,726	-	-	11,726
Instructional library, media, and technology	5,918	-	-	5,918
School site administration	210,133	-	-	210,133
Pupil services:				
Home-to-school transportation	35,649	-	-	35,649
Food services	-	-	47,425	47,425
All other pupil services	78,478	-	-	78,478
General administration:				
All other general administration	164,634	-	-	164,634
Plant services	266,184	82,754	5,032	353,970
Facility acquisition and construction	-	19,618	-	19,618
Ancillary services	98,782	-	-	98,782
Transfers between agencies	2,754	-	-	2,754
Total Expenditures	1,557,515	102,372	69,029	1,728,916
Excess (deficiency) of revenues over (under) expenditures	245,235	(91,838)	59,839	213,236
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	45,001	-	45,001
Operating transfers out	(45,001)	-	-	(45,001)
Total Other Financing Sources (Uses)	(45,001)	45,001	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	200,234	(46,837)	59,839	213,236
Fund Balance - Beginning	941,078	1,144,754	23,847	2,109,679
Fund Balance - Ending	\$ 1,141,312	\$ 1,097,917	\$ 83,686	\$ 2,322,915

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

DUNSMUIR JOINT UNION HIGH 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

	Detail	Total
Total change in fund balances - governmental funds		\$ 213,236
<p>Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 19,618	
Depreciation expense	(142,013)	
		(122,395)
<p>Increases in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses when earned.</p>		
Increases to compensated absences		(3,689)
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		94,162
<p>Changes in the net pension liability, deferred outflows of and deferred inflows of resources are reported as pension expenses in the statement of activities.</p>		
		(169,814)
Change in net position of governmental activities		\$ 11,500

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Dunsmuir Joint Union High School District (District) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees (Board) elected by registered voters of the District, which comprises an area in Southern Siskiyou County. The District was established in 1911 and serves students in grades nine through twelve.

B. Accounting Policies

The District prepares its basic financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

C. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is therefore a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's general-purpose financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Future Implementation of New Accounting Pronouncements

The following is a summary of the upcoming GASB Statements that may have an impact on the District's future reporting at the time of this report in order of implementation date:

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Effective for Periods beginning after – June 15, 2016.

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

The scope of this Statement includes OPEB plans—defined benefit and defined contribution administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Effective for Periods beginning after – June 15, 2017.

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 supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The provisions of these Statements generally are required to be applied retroactively for all periods presented. Early application, if allowable, was not adopted.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses, as appropriate.

The emphasis in fund financial statements is on the major funds in the governmental activities categories. Non-major funds by category are summarized in to a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The District's accounts are organized into major and non-major governmental funds as follows:

a. Major Governmental Funds

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Reserve Fund for Capital Outlay Projects* is used to account for the financial resources used for the acquisition or construction of major capital projects.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Non-major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.

The *Cafeteria Fund* is used to account for revenues and expenditures associated with the District's food service program.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital project funds:

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

The *County School Facilities Fund* is used to account for State apportionments provided from State School Facility Program funding and the expenditures relating to the acquisition, construction, or renovation of approved capital facilities projects.

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectable within the current period or with 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

2. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

3. Expenses/Expenditures

Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the 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. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated revenue and expenditures. The original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Encumbrances

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

I. Assets, Liabilities, and Equity

1. Cash and Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state and local governments for various programs.

3. Stores Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially charged as expenditures when acquired. The inventory (asset) account is adjusted to the physical count at year-end. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

4. Prepaid Expenditures

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

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. The Cafeteria Fund has a \$1,000 depreciation level as opposed to the District wide. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Land improvements	20
Buildings and improvements	20 - 50
Equipment	5 - 15
Vehicles	8 - 30

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

7. Pensions

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

8. Accrued Liabilities and Long-Term Obligations

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Fund Balance Classifications

The governmental fund financial statements present fund balances based on a classification hierarchy that depicts the extent to which the District is bound by spending constraints imposed on the use of its resources. The classifications used in the governmental fund financial statements are as follows:

a. Nonspendable Fund Balance

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory and prepaid items. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact.

b. Restricted Fund Balance

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

c. Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. 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.

d. Assigned Fund Balance

The assigned fund balance classification reflects amounts that the District intends to be used for specific purposes. Assignments may be established either by the Board of Trustees or by a designee of the Board of Trustees, and are subject to neither the restricted nor committed levels of constraint.

Constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action may be delegated to another body or official.

e. Unassigned Fund Balance and Minimum Fund Balance Policy

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reserve for Economic Uncertainties maintained by the District pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education is a stabilization-like arrangement of the "minimum fund balance policy" type. The Reserve for Economic Uncertainties does not meet the criteria to be reported as either restricted or committed because it is not an externally enforceable legal requirement, and because even where the Reserve for Economic Uncertainties is established by formal action of the District's highest level of decision-making authority, the circumstances in which the Reserve for Economic Uncertainties might be spent are by their nature neither specific nor non-routine. For this reason, the Reserve for Economic Uncertainties is reported as unassigned fund balance.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Board intends to maintain a minimum fund balance of 10% of the District's General Fund expenditures, if a fund balance drops below 10%, it shall be recovered as a rate of 1% minimally, each year.

The District's policy regarding the order in which spendable fund balances are spent when more than one classification is available for a specific purpose is that they are spent in restricted, committed, assigned, and then unassigned order.

11. Local Control Funding Formula / Property Taxes

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Investment Valuation

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: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Cash in County Treasury pools are measured at fair value using level 1 inputs. Fair market value adjustments have not been recorded as they are determined immaterial to the District.

Investments are measured at fair value using level 1 inputs.

K. Estimates

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

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS

Cash, Equivalents and Investments at June 30, 2016 are classified in the accompanying financial statements as follows:

	Governmental Activities
Cash and Equivalents	
Pooled Funds:	
Cash in county treasury	\$ 1,853,774
Deposits:	
Cash on hand and in banks	21,323
Cash in revolving fund	3,000
Total Cash and Equivalents	\$ 1,878,097
Investments:	
Local Agency Investment Fund	\$ 260,829
Total Investments	\$ 260,829

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS (Continued)

A. Cash in County Treasury

In accordance with *Education Code* 41001, the District maintains substantially all of its cash in the Siskiyou County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

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

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

B. Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds or Notes	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
Bankers 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%	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	n/a	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Authority Pools	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Funds (LAIF)	n/a	None	None

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS (Continued)

C. 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 values to changes in market interest rates. As of June 30, 2016, the weighted average maturity of the investments contained in the Treasury investment pool was 827 days.

D. Credit Risk

Generally, credit risk, is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

E. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk for deposits.

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2016, the District's bank balances were fully insured.

F. Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government wide financial statements.

A. Interfund Transfers

Permanent reallocations of resources between funds of the reporting District are classified as interfund transfers. As of June 30, 2016, interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Special Reserve Fund for Capital Outlay Projects	General Fund	\$ 25,000	To contribute to technology reserve.
Special Reserve Fund for Capital Outlay Projects	General Fund	10,000	To contribute to vehicle reserve.
Special Reserve Fund for Capital Outlay Projects	General Fund	<u>10,001</u>	To transfer MAA funds.
Total		<u><u>\$ 45,001</u></u>	

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016, are shown below:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets Being Depreciated:				
Land improvements	\$ 21,134	\$ -	\$ -	\$ 21,134
Buildings and improvements	5,760,323	-	-	5,760,323
Equipment	155,872	19,618	(30,040)	145,450
Vehicles	231,779	-	-	231,779
Total Capital Assets Being Depreciated	<u>6,169,108</u>	<u>19,618</u>	<u>(30,040)</u>	<u>6,158,686</u>
Less Accumulated Depreciation for:				
Land improvements	(15,653)	(499)	-	(16,152)
Buildings and improvements	(529,677)	(116,982)	-	(646,659)
Equipment	(80,701)	(10,667)	30,040	(61,328)
Vehicles	(143,268)	(13,865)	-	(157,133)
Total Accumulated Depreciation	<u>(769,299)</u>	<u>(142,013)</u>	<u>30,040</u>	<u>(881,272)</u>
Total Capital Assets Being Depreciated, Net	<u>5,399,809</u>	<u>(122,395)</u>	<u>-</u>	<u>5,277,414</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 5,399,809</u>	<u>\$ (122,395)</u>	<u>\$ -</u>	<u>\$ 5,277,414</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 116,945
Instruction related services:	
School site administration	2,069
Pupil services:	
Home-to-school transportation	10,901
Food services	2,135
General administration:	
Data processing	637
Plant services	<u>9,326</u>
Total Depreciation Expense	<u>\$ 142,013</u>

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS

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

A. California State Teachers' Retirement System

1. Plan Description and Provisions

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

2. Benefits Provided

The plan provides retirement, disability, and survivor benefits to beneficiaries. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death.

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

<u>Hire Date</u>	<u>After January 1, 2013</u>	<u>On or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age 60
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Payable upon retirement	Payable upon retirement
Retirement Age	Age 50 with at least 30 years service or age 55 with at least 5 years service	Age 55 with at least 5 years service
Monthly Benefits as a % of Eligible Compensation	Variable based on age factor 2.0% at age 62 to 2.4% maximum	Variable based on age factor 2.0% at age 60 to 2.4% maximum
Required Employee Contribution Rates	8.56%	9.20%
Required Employer Contribution Rates	10.73%	10.73%

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 8.56% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board.

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

Contributions - employer	\$	36,472
--------------------------	----	--------

4. Discount Rate

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

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

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

	Asset Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	47%	4.50%	4.50%
Private Equity	12%	6.20%	6.20%
Real Estate	15%	4.35%	4.35%
Inflation Sensitive	5%	3.20%	3.20%
Fixed Income	20%	0.20%	0.20%
Liquidity	1%	0.00%	0.00%
Total	100%		

5. On Behalf Payment

The State of California makes contributions to STRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts have been recorded as revenue in the government-wide financial statements. For the year ended June 30, 2016 the District has recorded \$23,406 of State on behalf payments as revenue.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

B. California Public Employees' Retirement System

1. Plan Description and Provisions

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

2. Benefits Provided

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

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

<u>Hire Date</u>	<u>After January 1, 2013</u>	<u>On or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age or 55
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly	Monthly
Retirement Age	Age 52 with at least 5 years service	Age 50 with at least 5 years service
	Variable based on age factor	Variable based on age factor
Monthly Benefits as a % of Eligible Compensation	2.0% at age 62 to 2.4% maximum	2.0% at age 55 to 2.5% maximum
Required Employee Contribution Rates	6.98%	6.98%
Required Employer Contribution Rates	12.60%	12.60%

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 6.98% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

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

Contributions - employer	\$	20,208
--------------------------	----	--------

4. Discount Rate

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

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.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

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

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

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

(a) an expected inflation of 2.50% used for this period

(b) an expected inflation of 3.00% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

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

1. Pension Liability

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

CalSTRS	\$ 605,916
CalPERS	<u>235,842</u>
Total District net pension liability	841,758
State's proportionate share of the CalSTRS net pension liability associated with the District	<u>320,434</u>
Total	<u><u>\$ 1,162,192</u></u>

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

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2014	0.0009%	0.0016%
Proportion - June 30, 2015	0.0009%	0.0016%
Change - Increase (Decrease)	0.0000%	0.0000%

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

2. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the District recognized pension expense of \$145,838. 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	\$ 94,162	\$ -
Differences between actual and expected experience	22,451	-
Changes in assumptions	-	(14,616)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions	-	(1,785)
Net differences between projected and actual earnings on plan investments	38,734	(191,675)
Total	\$ 155,347	\$ (208,076)

The \$94,162 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

For the Year Ended June 30:

2017	\$ (47,816)
2018	(47,816)
2019	(47,816)
2020	(2,450)
2021	(198)
Thereafter	(795)
Totals	\$ (146,891)

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

3. Actuarial Assumptions.

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation Rate	3.00%	2.75%
Payroll Growth	3.75%	Varies by Entry Age and Service
Investment Rate of Return	7.60%	7.65%
Mortality Rate	RP 2000 Series Tables	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5. PENSION PLANS (Continued)

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

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

		CalSTRS		CalPERS
1% Decrease		6.60%		6.65%
Net Pension Liability	\$	914,886	\$	383,852
Current Discount Rate		7.60%		7.65%
Net Pension Liability	\$	605,916	\$	235,842
1% Increase		8.60%		8.65%
Net Pension Liability	\$	349,137	\$	112,761

5. Pension Plan Fiduciary Net Position

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

NOTE 6. COMPENSATED ABSENCES

Accumulated vacation is not accrued in governmental funds. It must be paid to an employee upon termination, but it is generally applied in the year earned or a succeeding year. The District has reported an estimated liability in the amount of \$59,076 relative to compensated absences earned but not used at June 30, 2016. Expenditures related to this liability are accounted for in the fund in which the related salaries are recorded.

NOTE 7. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below:

	Balance			Balance	Due within
	July 1, 2015	Additions	Reductions	June 30, 2016	One Year
Net Pension Liability	\$ 707,572	\$ 134,186	\$ -	\$ 841,758	\$ 155,347
Compensated absences	55,387	3,689	-	59,076	11,815
Totals	\$ 762,959	\$ 137,875	\$ -	\$ 900,834	\$ 167,162

The net pension liability and compensated absences are liquidated from the funds for which the related employees are compensated.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. RESTRICTED NET POSITION

The government-wide statement of net position reports \$367,909 of restricted net position, of which none is restricted by enabling legislation.

NOTE 9. ASSOCIATED STUDENT BODY

The activities of the District's Associated Student Body (ASB) are reported within the General Fund as ancillary services and in the restricted ending fund balance. A standalone accounting system is maintained at the school site level and monitored by the District's business office. The high school operates on an organized basis.

NOTE 10. JOINT POWERS AGREEMENTS

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2016, the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- Northern California Schools Insurance Group (NCSIG)
- Northeastern Joint Powers Authority (NEJPA)
- Self-Insured Schools of California (SISC)
- Schools Excess Liability Fund (SELF)

The JPAs arrange for and provide property, liability, workers' compensation, medical, dental, and vision insurance and excess liability coverage for its members. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each joint venture is governed by a board consisting of representatives from various member Districts. Each board controls the operations of the JPA, including selection of management, independent of any influence by the member Districts beyond their representation on the board. Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11. STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2015/2016, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

As of June 30, 2016 the District is not currently involved in any litigation.

C. Commitments

As of June 30, 2016 the District had no material commitments outstanding.

NOTE 13. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the District through December 14, 2016 and concluded that no subsequent event(s) have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES				
Local control sources:				
State apportionments	\$ 913,094	\$ 1,027,799	\$ 997,703	\$ (30,096)
Local sources	582,603	485,510	500,599	15,089
Federal	95,452	99,156	101,930	2,774
Other state	8,778	107,846	108,866	1,020
Other local	93,464	72,230	93,652	21,422
Total Revenues	1,693,391	1,792,541	1,802,750	10,209
EXPENDITURES				
Certificated salaries	550,768	553,725	553,708	17
Classified salaries	173,378	177,437	170,351	7,086
Employee benefits	321,205	370,707	363,885	6,822
Books and supplies	161,398	199,235	102,031	97,204
Services and other operating expenditures	339,977	442,250	364,786	77,464
Capital outlay	35,000	5,043	-	5,043
Other outgo	9,596	27,839	2,754	25,085
Total Expenditures	1,591,322	1,776,236	1,557,515	218,721
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	102,069	16,305	245,235	228,930
OTHER FINANCING SOURCES (USES)				
Transfers out	(19,958)	(45,001)	(45,001)	-
Total Other Financing Sources (Uses)	(19,958)	(45,001)	(45,001)	-
Net Increase (Decrease) in Fund Balance	82,111	(28,696)	200,234	228,930
Fund Balance - Beginning	941,078	941,078	941,078	-
Fund Balance - Ending	\$ 1,023,189	\$ 912,382	\$ 1,141,312	\$ 228,930

See accompanying notes to required supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0009%	0.0009%
District's proportionate share of the net pension liability	\$ 605,916	\$ 525,933
State's proportionate share of the net pension liability associated with the District	320,434	317,584
Total	\$ 926,350	\$ 843,517
District's covered employee payroll	\$ 410,721	\$ 328,448
District's proportionate Share of the net pension liability as a percentage of covered-employee payroll	148%	160%
Plan's fiduciary net position	\$ 191,822,000,000	\$ 190,474,000,000
Plan fiduciary net position as a percentage of the total pension liability	77%	77%
CalPERS		
District's proportion of the net pension liability	0.0016%	0.0016%
District's proportionate share of the net pension liability	\$ 235,842	\$ 181,639
District's covered employee payroll	\$ 171,691	\$ 162,753
District's proportionate Share of the net pension liability as a percentage of covered-employee payroll	137%	112%
Plan's fiduciary net position	\$ 56,911,065,643	\$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	84%	83%

See accompanying notes to required supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution (actuarially determined)	\$ 38,456	\$ 33,461
Contributions in relation to the actuarially determined contributions	36,472	27,097
Contribution deficiency (excess)	\$ 1,984	\$ 6,364
Covered-employee payroll	\$ 410,721	\$ 328,448
Contributions as a percentage of covered-employee payroll	8.88%	8.25%
CalPERS		
Contractually required contribution (actuarially determined)	\$ 20,207	\$ 18,619
Contributions in relation to the actuarially determined contributions	20,208	18,619
Contribution deficiency (excess)	\$ (1)	\$ -
Covered-employee payroll	\$ 171,691	\$ 162,753
Contributions as a percentage of covered-employee payroll	11.77%	11.44%

See accompanying notes to required supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Comparison Schedule

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund that has a legally adopted budget. The originally adopted and final revised budgets are presented for such funds. The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code.

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

The Schedule of the District's Share of the Net Pension Liability presents multi-year trend information which compares, over time, the District's proportionate share of the net pension liability as a percent of covered-employee payroll. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

1. Changes in Benefits Terms:

a. California State Teachers' Retirement System (CalSTRS)

The California Pension Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include rising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120 percent of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

b. California Public Employees' Retirement System (CalPERS)

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION (Continued)

2. Changes in Assumptions:

a. CalSTRS

The total pension liability for the 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. There were no changes in major assumptions.

b. CalPERS

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

C. Schedule of the District's Plan Contributions

The Schedule of the District's Plan Contributions presents multi-year trend information which compares, over time, required contributions and actual contributions as a percent of covered-employee payroll. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented, as the current year information from the plan was not available. The excess or deficiency of contributions in relation to the actuarially determined contributions has not been recorded as deferred inflows or outflows as they have been determined immaterial.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, there were no excess expenditures over appropriations.

SUPPLEMENTARY INFORMATION SECTION

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING BALANCE SHEET
JUNE 30, 2016

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Other Governmental Funds
ASSETS					
Cash and equivalents	\$ 41,462	\$ 15,010	\$ 13,210	\$ 50	\$ 69,732
Investments	-	254	-	-	254
Accounts receivable	14,982	5,031	20	-	20,033
Stores inventories	-	3,610	-	-	3,610
Total Assets	\$ 56,444	\$ 23,905	\$ 13,230	\$ 50	\$ 93,629
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 964	\$ 8,979	\$ -	\$ -	\$ 9,943
Total Liabilities	964	8,979	-	-	9,943
Fund Balance:					
Non spendable					
Stores inventories	-	3,610	-	-	3,610
Restricted	55,480	11,316	13,230	-	80,026
Assigned					
Other assignments	-	-	-	50	50
Total Fund Balance	55,480	14,926	13,230	50	83,686
Total Liabilities and Fund Balance	\$ 56,444	\$ 23,905	\$ 13,230	\$ 50	\$ 93,629

See accompanying notes to supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Other Governmental Funds
REVENUES					
Federal	\$ -	\$ 39,285	\$ -	\$ -	\$ 39,285
Other state	-	5,982	-	-	5,982
Other local	72,052	5,138	6,411	-	83,601
Total Revenues	72,052	50,405	6,411	-	128,868
EXPENDITURES					
Books and supplies	16,572	45,466	-	-	62,038
Services and other operating expenditures	-	1,959	5,032	-	6,991
Total Expenditures	16,572	47,425	5,032	-	69,029
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	55,480	2,980	1,379	-	59,839
Net Increase (Decrease) in Fund Balance	55,480	2,980	1,379	-	59,839
Fund Balance - Beginning	-	11,946	11,851	50	23,847
Fund Balance - Ending	<u>\$ 55,480</u>	<u>\$ 14,926</u>	<u>\$ 13,230</u>	<u>\$ 50</u>	<u>\$ 83,686</u>

See accompanying notes to supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report			Annual Report		
	Original	Audit Adjustment	Revised	Original	Audit Adjustment	Revised
Grades 9 - 12:						
Regular Average Daily Attendance	62.20	-	62.20	62.01	-	62.01
Community Day School	0.38	(0.38)	-	0.24	(0.24)	-
Grades 9 - 12 Totals	62.58	(0.38)	62.20	62.25	(0.24)	62.01
Total ADA	62.58	(0.38)	62.20	62.25	(0.24)	62.01

See accompanying notes to supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015/2016 Actual Minutes</u>	<u>Number of Days Traditional Calendar ¹</u>	<u>Status</u>
Grade nine	64,800	66,060	180	In Compliance
Grade ten	64,800	66,060	180	In Compliance
Grade eleven	64,800	66,060	180	In Compliance
Grade twelve	64,800	66,060	180	In Compliance

¹ The District did not utilize a multitrack calendar during the 2015/2016 year.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

General Fund:	(Budgeted) *			
	2016/2017	2015/2016	2014/2015	2013/2014
Revenues and Other Financing Sources	\$ 1,687,400	\$ 1,802,750	\$ 1,862,980	\$ 1,767,486
Expenditures	1,780,843	1,557,515	1,610,960	1,428,707
Other Uses and Transfers Out	51,664	45,001	523,770	651,770
Total Outgo	1,832,507	1,602,516	2,134,730	2,080,477
Change in Fund Balance	(145,107)	200,234	(271,750)	(312,991)
Ending Fund Balance	\$ 996,205	\$ 1,141,312	\$ 941,078	\$ 1,212,828
Available Reserves ¹	\$ 184,354	\$ 163,009	\$ 207,774	\$ 251,435
Reserve for Economic Uncertainties	\$ 184,354	\$ 163,009	\$ 201,364	\$ 69,781
Unassigned Fund Balance	\$ -	\$ -	\$ 6,410	\$ 181,654
Available Reserves as a percentage of Total Outgo	10.1%	10.2%	9.7%	12.1%
Total Long-Term Debt ²	\$ 733,672	\$ 900,834	\$ 762,959	\$ 940,616
Average Daily Attendance at P-2 ³	63	63	54	62

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

The General Fund balance has decreased by \$71,516 over the past two years. The District has incurred an operating deficit in two of the past three years. The 2016/2017 General Fund budget projects a decrease of \$145,107 (-12.7%).

For a District of this size, the state recommends available reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (other outgo).

Total long-term debt has decreased by \$39,782 over the past two years.

Average daily attendance has increased by 1 ADA over the past two years. The ADA is anticipated to remain stable during the fiscal year 2016/2017.

* The 2016/2017 budget is included for analytical purposes only and has not been subjected to audit.

¹ Available reserves consists of all unassigned fund balances and reserves for economic uncertainty that are contained within the governmental funds. Unassigned fund balances are typically only reported in the General Fund. However, other governmental funds may report negative unassigned fund balances and are included in the reported available reserves.

² Total long-term debt for the year ending June 30, 2014 has been restated.

³ Average Daily Attendance at P-2 excludes Adult Education ADA.

See accompanying notes to supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects *	Deferred Maintenance Fund *
	<u> </u>	<u> </u>	<u> </u>
June 30, 2016 Annual Financial and Budget Report (SACS) Fund Balance	\$ 738,578	\$ 202,994	\$ 199,740
Adjustments and Reclassifications:			
Reclassification for financial statement presentation	402,734	(202,994)	(199,740)
June 30, 2016 Audited Financial Statement Fund Balance	<u>\$ 1,141,312</u>	<u>\$ -</u>	<u>\$ -</u>

* This audit reclassification is made for financial presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current State law to account for these funds as a special revenue fund type for interim reporting and budgeting purposes.

	<u>Capital Assets</u>
June 30, 2016 Annual Financial and Budget Report (SACS) Capital Assets	\$ 5,275,793
Adjustments and Reclassifications:	
Capital Assets:	
Equipment and vehicles	(30,040)
Depreciation:	
Equipment and vehicles	31,661
June 30, 2016 Audited Financial Statement Balance	<u>\$ 5,277,414</u>

	<u>Long-Term Debt</u>
June 30, 2016 Annual Financial and Budget Report (SACS) Long-Term Debt	\$ 766,648
Adjustments and Reclassifications:	
Long-Term Debt:	
Net pension liability	134,186
June 30, 2016 Audited Financial Statement Balance	<u>\$ 900,834</u>

See accompanying notes to supplementary information.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. PURPOSE OF SUPPLEMENTARY INFORMATION

A. Other Governmental Funds Financial Statements

These statements provide information on the Dunsmuir Joint Union High School District's (District) Governmental non-major funds, by object.

B. Schedule of Average Daily Attendance

Average daily attendance 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 the District. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

D. 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.

E. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements

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

F. Schedule of Charter School

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for the year ended June 30, 2016. The District has not authorized any Charter Schools; therefore this schedule has not been included for 2015/2016.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dunsmuir Joint Union High School District
Dunsmuir, 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 Dunsmuir Joint Union High School District (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, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying findings and responses that we consider to be significant deficiencies, as items 2016-001, 2016-002 and 2016-003.

Compliance and Other Matters

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

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Robertson & Associates, CPAs

Lakeport, California
December 14, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Dunsmuir Joint Union High School District
Dunsmuir, California

Compliance

We have audited Dunsmuir Joint Union High School District (District)'s compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a material effect on each of the District's state programs for the year ended June 30, 2016.

Management's Responsibility

Compliance with the applicable compliance requirements is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, See Below
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, See Below
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	No, See Below
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study For Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" used above is to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Ratios of Administrative Employees to Teachers because the District has one or fewer administrators.

We did not perform testing for California Clean Energy Jobs Act because there were no expenditures in 2015/2016.

We did not perform testing for Immunizations because the District was not listed on the California Department of Public Health (CDPH) list of schools that would require testing.

Basis for Qualified Opinion on State Compliance

As described in the accompanying schedule of findings and responses, the District did not comply with compliance requirements regarding Attendance as described items 2016-002 and 2016-003. Compliance with such requirements is necessary, in our opinion, for Dunsmuir Joint Union High School District to comply with state laws and regulations applicable to that program.

Qualified Opinion on State Programs

In our opinion, except for the noncompliance with Attendance identified in the schedule of findings and responses, as items 2016-002 and 2016-003, Dunsmuir Joint Union High School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the other State Programs

In our opinion, the 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 the state compliance programs identified in the table above for the year ended June 30, 2016.

District's Response to Findings

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, express no opinion on the response.

Robertson & Associates, CPAs

Lakeport, California
December 14, 2016

FINDINGS AND RESPONSES SECTION

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Financial Statement Findings

2016-001 Deficit Spending / State Code 30000 Internal Control

Criteria

Criteria and Standards for School Districts – Fiscal Solvency.

Condition

The District's General Fund has incurred deficit spending in two of the past three fiscal years and has plan to deficit spend in 2016/2017. The General Fund available reserves are above the State recommended reserves for a district of this size.

Effect

Continued deficit spending, or maintaining available reserves in the General Fund that are less than the State recommended levels, could affect the District's ability to meet its financial obligations in the future.

Cause

The District planned deficit spending in the current fiscal year which utilized available reserves carried over from the previous year. The District incurred deficit spending in the general fund in each of the last three fiscal years. The primary cause of the deficit spending during the 2013/2014 and 2014/2015 fiscal years was the transfer of available reserves to the Special Reserve Fund for Capital Outlay Projects.

Recommendation

The District should continue to closely monitor its budget and available reserves.

District Response and Action Plan

The District will continue to monitor the budget carefully and review with the Board for needed revisions at 1st and 2nd Interim, as well as reported to the Board every 60 days. Any other needed revisions are made as they arise and expenditures are examined and adjusted carefully on an on-going basis. Deficit spending is utilizing available reserves carried over from prior years for planned one-time expenditures

Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards or programs.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

State Award Findings and Questioned Costs

2016-002 Attendance Accounting / State Code 10000 Attendance

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421(b), and Education Code 44809 require that each LEA develop and maintain accurate and adequate attendance records to support the attendance reported to the State.

Condition

The following was noted while reconciling attendance:

The District utilizes the PowerSchool attendance system to track attendance. The Monthly Attendance Report did not tie out to the Attendance Summary by Grade. The District utilizes the Attendance Summary by Grade and transfers the information to the LEA summary, which is used to file the P-2. The numbers between the three different reports were inaccurate. After discussing this with the District it was noted that the District had not performed any updates to the software. Once the updates were performed, the reports were re-run and tied out without exceptions. The error was caught before the P-2 was filed with California Department of Education. There is no overstated/understated attendance.

Effect

The District is out of compliance with state regulations.

Cause

Updates to the attendance software had not been performed.

Recommendation

The District should review board policy on maintaining of accurate and adequate attendance records to support the attendance reported to the State. The District should attend workshop on pupil attendance accounting.

District Response and Action Plan

The situation has been corrected with revisions and updates of attendance software with personnel receiving up to date training. Corrections have been implemented, with assistance from the attendance software company, to maintain accurate and adequate records. Discussion has occurred about staying up to date, correcting any and all issues and staying up to date with software and school attendance needs. Priority has been established for annual professional development opportunities to keep staff abreast of current needs and diligence in strict compliance monitoring.

DUNSMUIR JOINT UNION HIGH SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

2016-003 Community Day School / State Code 10000 Attendance / State Code 40000 State Compliance

Criteria

The minimum school day for Community Day Schools is 360 minutes of instructional time (Education Code 48663(a)). There is no option for a shorter day. The minimum school day in a CDS is 360 minutes of classroom instruction provided (under the immediate supervision and control of per Education Code 46300(a)) by a certificated employee of the District reporting the attendance of the pupils for apportionment funding.

Condition

The minimum instructional day for the community day school is not being met within the site. The students that are assigned to the community day school are still utilizing Dunsmuir High School for other class assignments. This means the entire minimum day of 360 minutes is not being met at the Community Day School setting. When the District has a minimum day the Community Day School is also release at this time and therefor do not meet the required minutes of 360.

Questioned Cost

	Second Period Report			Annual Report		
	Original	Audit Adjustment	Revised	Original	Audit Adjustment	Revised
Grades 9 - 12:						
Regular Average Daily Attendance	62.20	-	62.20	62.01	-	62.01
Community Day School	0.38	(0.38)	-	0.24	(0.24)	-
Grades 9 - 12 Totals	62.58	(0.38)	62.20	62.25	(0.24)	62.01
Total ADA	62.58	(0.38)	62.20	62.25	(0.24)	62.01

The District is paid on necessary small school allowance and does not result in questioned costs in the 2015/2016 year.

Effect

The District is out of compliance with state regulations.

Cause

The staffs were unaware of Community Day School requirements.

Recommendation

The District should revise both the P-2 and Annual reports to reflect the audited numbers in the schedule above. The District should review Board Policy and Education Codes 48663(a) & 46300(a) on the requirements and of a Community Day School.

District Response and Action Plan

Staff has been brought up to date on the current needs and requirements for Community Day School attendance and daily requirements to comply with Community Day School state regulations. Adjustments and amendments have been made which will alleviate this issue in the future. The required terminology is now being associated with the required needs of attendance reporting and adjustments have been made. Professional Development opportunities have been given and will be annually utilized to keep staff up to date with current and changing needs of reporting, attendance, and structure.

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

Finding/Recommendation	Current Status	District Explanation, If Not Implemented
2015-001 The District's General Fund has incurred deficit spending in the past three fiscal years. The General Fund available reserves are above the State recommended reserves for a district of this size. The District should continue to closely monitor its budget and available reserves.	Repeated	See recommendation 2016-001.