

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2016**

# WASHINGTON UNIFIED SCHOOL DISTRICT

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JUNE 30, 2016

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Washington Unified School District  
Fresno, 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 Washington Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 63, schedule of other postemployment benefits funding progress on page 64, schedule of the district's proportionate share of net pension liability on page 65, and the schedule of district contributions on page 66, 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 Washington Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

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

*Varinck, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2016



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

The District was formed on July 1, 2011, from the unification of the American Union Elementary School District, the Washington Union High School District and the West Fresno Elementary School District. This is the fifth year of financial operations for the unified district.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Washington Unified School District.

**Board of Trustees**

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

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

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

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

**Governmental Activities** - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

### THE DISTRICT AS A TRUSTEE

#### Reporting the Districts Fiduciary Responsibilities

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

### FINANCIAL HIGHLIGHTS

The District's financial status continues to display itself as a regular operating school district during the 2015-2016 fiscal year. Prudent budgeting techniques and strategic planning help the District maximize supplemental funds. Staffing patterns continue to be reviewed as the District addresses student program needs and efficiency with the focus on student achievement.

The District maintained reserves in excess of the three percent requirement. The District maintained the required three percent reserves and had a surplus of \$154,689 (excluding activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Non-Capital Fund as required by GASB Statement No. 54). The ending General Fund balance for 2015-2016 is \$1,961,143. This includes a 4.6 percent reserve for the District. Maintaining reserves above the required three percent is very important to the District and has allowed the District to continue to meet its cash-flow needs.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$(5,132,991) for the fiscal year ended June 30, 2016. Of this amount, \$1,330,226 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

|                                       | Governmental Activities |                       |                     |
|---------------------------------------|-------------------------|-----------------------|---------------------|
|                                       | 2016                    | 2015                  | Variance            |
| <b>Assets</b>                         |                         |                       |                     |
| Current and other assets              | \$ 7,007,464            | \$ 8,693,388          | \$ (1,685,924)      |
| Capital assets                        | 47,843,166              | 47,472,750            | 370,416             |
| <b>Total Assets</b>                   | <b>54,850,630</b>       | <b>56,166,138</b>     | <b>(1,315,508)</b>  |
| <b>Deferred Outflows of Resources</b> | <b>4,494,645</b>        | <b>1,501,547</b>      | <b>2,993,098</b>    |
| <b>Liabilities</b>                    |                         |                       |                     |
| Current liabilities                   | 1,482,009               | 2,741,470             | (1,259,461)         |
| Long-term obligations                 | 36,678,657              | 37,708,084            | (1,029,427)         |
| Net pension liability                 | 21,329,995              | 18,492,025            | 2,837,970           |
| <b>Total Liabilities</b>              | <b>59,490,661</b>       | <b>58,941,579</b>     | <b>(2,288,888)</b>  |
| <b>Deferred Inflows of Resources</b>  | <b>4,987,605</b>        | <b>4,900,984</b>      | <b>86,621</b>       |
| <b>Net Position</b>                   |                         |                       |                     |
| Net investment in capital assets      | 15,377,390              | 14,068,329            | 1,309,061           |
| Restricted                            | 1,330,226               | 1,715,836             | (385,610)           |
| Unrestricted                          | (21,840,607)            | (21,959,043)          | 118,436             |
| <b>Total Net Position</b>             | <b>\$ (5,132,991)</b>   | <b>\$ (6,174,878)</b> | <b>\$ 1,041,887</b> |

The \$(5,132,991) in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$118,436.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

### Changes in Net Position

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

Table 2

|                                      | Governmental Activities |                     |                     |
|--------------------------------------|-------------------------|---------------------|---------------------|
|                                      | 2016                    | 2015                | Variance            |
| <b>Revenues</b>                      |                         |                     |                     |
| Program revenues:                    |                         |                     |                     |
| Charges for services                 | \$ 418,548              | \$ 65,549           | \$ 352,999          |
| Operating grants and contributions   | 7,010,455               | 6,947,830           | 62,625              |
| Capital grants and contributions     | -                       | 2,415,809           | (2,415,809)         |
| General revenues:                    |                         |                     |                     |
| Federal and State aid not restricted | 25,321,817              | 22,249,686          | 3,072,131           |
| Property taxes, general purposes     | 2,671,666               | 2,149,431           | 522,235             |
| Property taxes, debt service         | 1,176,109               | 1,189,955           | (13,846)            |
| Taxes, other specific purposes       | 58,125                  | 79,289              | (21,164)            |
| Other general revenues               | 430,202                 | 1,281,624           | (851,422)           |
| <b>Total Revenues</b>                | <u>37,086,922</u>       | <u>36,379,173</u>   | <u>707,749</u>      |
| <b>Expenses</b>                      |                         |                     |                     |
| Instruction related                  | 22,781,241              | 21,323,455          | 1,457,786           |
| Student support services             | 4,896,242               | 5,390,959           | (494,717)           |
| Administration                       | 2,796,028               | 2,629,202           | 166,826             |
| Maintenance and operations           | 3,634,037               | 2,835,087           | 798,950             |
| Other                                | 1,937,487               | 2,702,068           | (764,581)           |
| <b>Total Expenses</b>                | <u>36,045,035</u>       | <u>34,880,771</u>   | <u>1,164,264</u>    |
| <b>Change in Net Position</b>        | <u>\$ 1,041,887</u>     | <u>\$ 1,498,402</u> | <u>\$ (456,515)</u> |

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$36,045,035. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3,905,900 because the cost was paid by those who benefited from the programs (\$418,548) or by other governments and organizations who subsidized certain programs with grants and contributions (\$7,010,455). We paid for the remaining "public benefit" portion of our governmental activities with \$25,752,019 in Federal and State funds and other revenues, like interest and general entitlements.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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In Table 3, we have presented the net cost of each of the District's largest functions: instruction related services, pupil services, general administration, maintenance and operations, and other. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

|                            | Net Cost of Services |                      |                     |
|----------------------------|----------------------|----------------------|---------------------|
|                            | 2016                 | 2015                 | Variance            |
| Instruction related        | \$ 17,891,932        | \$ 14,195,496        | \$ 3,696,436        |
| Pupil services             | 2,880,744            | 3,661,152            | (780,408)           |
| General administration     | 2,578,733            | 2,354,794            | 223,939             |
| Maintenance and operations | 3,434,667            | 2,795,216            | 639,451             |
| Other                      | 1,829,956            | 2,444,925            | (614,969)           |
| <b>Total</b>               | <b>\$ 28,616,032</b> | <b>\$ 25,451,583</b> | <b>\$ 3,164,449</b> |

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 7, 2016. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted an increase in the General Fund balance of \$83,156. Although revenues were \$1,878 less than budgeted, expenditures were \$3,022 less than budgeted, leaving the fund with an increase of \$84,300.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2016, the District had \$47,843,166 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment (Table 4).

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

Table 4

|                            | Governmental Activities |                      |                   |
|----------------------------|-------------------------|----------------------|-------------------|
|                            | 2016                    | 2015                 | Variance          |
| Land                       | \$ 2,432,571            | \$ 2,432,571         | \$ -              |
| Construction in progress   | 438,129                 | 16,338,929           | (15,900,800)      |
| Land improvements          | 5,512,075               | 2,099,181            | 3,412,894         |
| Buildings and improvements | 37,944,117              | 24,999,438           | 12,944,679        |
| Equipment                  | 1,516,274               | 1,602,631            | (86,357)          |
| <b>Total</b>               | <b>\$ 47,843,166</b>    | <b>\$ 47,472,750</b> | <b>\$ 456,773</b> |

This year's additions to capital assets include additions for buildings, building improvements, land improvements, equipment, and work in progress for construction projects. We present more detailed information about our capital assets in the Notes to Financial Statements.

### Long-Term Obligations

At the end of this year, the District had \$36,678,657 in obligations outstanding. Those obligations consisted of:

Table 5

|                               | Governmental Activities |                      |                       |
|-------------------------------|-------------------------|----------------------|-----------------------|
|                               | 2016                    | 2015                 | Variance              |
| General obligation bonds      | \$ 16,246,686           | \$ 16,668,532        | \$ (421,846)          |
| Bond anticipation note        | 6,312,993               | 6,342,492            | (29,499)              |
| Certificates of participation | 12,495,000              | 12,995,000           | (500,000)             |
| Compensated absences          | 264,710                 | 298,933              | (34,223)              |
| Early retirement incentive    | 292,568                 | 447,063              | (154,495)             |
| Capital leases                | 29,441                  | 43,343               | (13,902)              |
| Other postemployment benefits | 1,037,259               | 912,721              | 124,538               |
| <b>Total</b>                  | <b>\$ 36,678,657</b>    | <b>\$ 37,708,084</b> | <b>\$ (1,029,427)</b> |

We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

### Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as of June 30, 2015, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported Deferred Outflows from pension activities of \$4,494,645, Deferred Inflows from pension activities of \$4,987,605, and a Net Pension Liability of \$21,329,995. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:**

Projects completed include the American Union Modernization, American Union New Wing, Washington Union High School Modernization (includes the athletic stadium, renovating classrooms, school safety and access, technology and other athletic facilities) and New District Office. The District is in the process of completing two solar projects located at West Fresno Elementary School and Washington Union High School. The District has received a grant for the drilling of a well and installation of a pipe line using Proposition 1 funds from the State of California.

The District concluded the 2016-2017 negotiations with the certificated bargaining unit and the classified negotiations are in progress.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including LEAs, to plan for the next recession. Accordingly, county offices continue to provide conservative budget guidance to school district leaders with emphasis on the following:

The District plans to expend one-time money on one-time expenditures that support the District's vision and goals.

Continuing to maintain reserves above the three percent required by the state along with careful planning and restraint will allow the district to increase reserves.

The District uses the FCMAT LCFF Calculator to estimate the base grant and supplemental /concentration revenues as well as the Minimum Proportionality Percentage (MPP) requirements.

Certificated, classified and management staffing costs are projected at the district approved staffing levels including any negotiated salary increases and projected retirement and health and welfare benefit increases. Expenditures for supplies, services and operating costs are based on prior year spending levels.

The following circumstances which could affect the financial health of the district include:

Increase to employer contributions to CalSTRS and CalPERS through fiscal year 2020-2021.

Increase to minimum wage and increasing health care costs.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Washington Unified School District at 2888 S. Ivy Avenue, Fresno, California 93706.

*Chris Vaz, Chief Business Official  
Washington Unified School District  
2888 S. Ivy Avenue, Fresno, CA. 93706  
(559) 495-5600*

# WASHINGTON UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2016

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Deposits and investments   | \$ 4,577,385                       |
| Receivables  | 2,429,641                          |
| Stores inventories   | 438                                |
| Nondepreciable capital assets                                      | 2,870,700                          |
| Capital assets being depreciated                                   | 60,371,223                         |
| Accumulated depreciation   | (15,398,757)                       |
| <b>Total Assets</b>  | <b>54,851,630</b>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                                    |
| Deferred outflows of resources related to pensions                 | 4,494,645                          |
| <b>LIABILITIES</b>   |                                    |
| Accounts payable   | 1,481,785                          |
| Unearned revenue   | 224                                |
| Long-term obligations:   |                                    |
| Current portion of long-term obligations<br>other than pensions    | 1,155,281                          |
| Noncurrent portion of long-term obligations<br>other than pensions | 35,523,376                         |
| Total Long-Term Obligations  | 36,678,657                         |
| Aggregate net pension liability                                    | 21,329,995                         |
| <b>Total Liabilities</b>   | <b>59,491,661</b>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                                    |
| Deferred inflows of resources related to pensions                  | 4,987,605                          |
| <b>NET POSITION</b>  |                                    |
| Net investment in capital assets                                   | 15,377,390                         |
| Restricted for:  |                                    |
| Debt service   | 717,282                            |
| Capital projects   | 102,590                            |
| Educational programs   | 396,087                            |
| Other activities   | 114,267                            |
| Unrestricted   | (21,840,607)                       |
| <b>Total Net Position</b>  | <b>\$ (5,132,991)</b>              |

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

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

| Functions/Programs                              | Expenses             | Program Revenues                     |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|---|----------------------|--------------------------------------|--|--|
|   |                      | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions |  |
| <b>Governmental Activities:</b>                 |                      |                                      |  |  |
| Instruction                                     | \$ 18,547,327        | \$ 258,645                           | \$ 3,893,390                             | \$ (14,395,292)  |
| Instruction-related activities:                 |                      |                                      |  |  |
| Supervision of instruction                      | 1,755,292            | 53,200                               | 566,750                                  | (1,135,342)  |
| Instructional library, media, and<br>technology | 242,748              | -                                    | 53,910                                   | (188,838)  |
| School site administration                      | 2,235,874            | -                                    | 63,414                                   | (2,172,460)  |
| Pupil services:                                 |                      |                                      |  |  |
| Home-to-school transportation                   | 1,720,386            | -                                    | 82,245                                   | (1,638,141)  |
| Food services                                   | 1,406,100            | 1,931                                | 1,351,368                                | (52,801)   |
| All other pupil services                        | 1,769,756            | 1,465                                | 578,489                                  | (1,189,802)  |
| Administration:                                 |                      |                                      |  |  |
| Data processing                                 | 414,978              | -                                    | -  | (414,978)  |
| All other administration                        | 2,381,050            | 4,263                                | 213,032                                  | (2,163,755)  |
| Plant services                                  | 3,634,037            | 99,044                               | 100,326                                  | (3,434,667)  |
| Ancillary services                              | 305,789              | -                                    | 26,678                                   | (279,111)  |
| Interest on long-term obligations               | 1,442,504            | -                                    | -  | (1,442,504)  |
| Other outgo                                     | 189,194              | -                                    | 80,853                                   | (108,341)  |
| <b>Total Governmental Activities</b>            | <b>\$ 36,045,035</b> | <b>\$ 418,548</b>                    | <b>\$ 7,010,455</b>                      | <b>(28,616,032)</b>  |
| General revenues and subventions:               |                      |                                      |  |  |
|   |                      |                                      |  | 2,671,666  |
|   |                      |                                      |  | 1,176,109  |
|   |                      |                                      |  | 58,125   |
|   |                      |                                      |  | 25,321,817   |
|   |                      |                                      |  | 39,615   |
|   |                      |                                      |  | 8,331  |
|   |                      |                                      |  | 382,256  |
|   |                      |                                      | <b>Subtotal, General Revenues</b>        | <b>29,657,919</b>  |
|   |                      |                                      | <b>Change in Net Position</b>            | <b>1,041,887</b>   |
|   |                      |                                      | Net Position - Beginning                 | (6,174,878)  |
|   |                      |                                      | Net Position - Ending                    | <b>\$ (5,132,991)</b>  |

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

WASHINGTON UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

|  | General<br>Fund     | Building<br>Fund    | Non-Major<br>Governmental<br>Funds |
|--|---------------------|---------------------|------------------------------------|
| <b>ASSETS</b>                                  |                     |                     |                                    |
| Deposits and investments                       | \$ 2,457,486        | \$ 1,237,685        | \$ 882,214                         |
| Receivables                                    | 2,195,995           | 659                 | 232,987                            |
| Due from other funds                           | 123,007             | 1,380,000           | 1,236                              |
| Stores inventories                             | 438                 | -                   | -                                  |
| <b>Total Assets</b>                            | <u>\$ 4,776,926</u> | <u>\$ 2,618,344</u> | <u>\$ 1,116,437</u>                |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                     |                                    |
| <b>Liabilities:</b>                            |                     |                     |                                    |
| Accounts payable                               | \$ 1,434,547        | \$ -                | \$ 47,238                          |
| Due to other funds                             | 1,381,236           | -                   | 123,007                            |
| Unearned revenue                               | -                   | -                   | 224                                |
| <b>Total Liabilities</b>                       | <u>2,815,783</u>    | <u>-</u>            | <u>170,469</u>                     |
| <b>Fund Balances:</b>                          |                     |                     |                                    |
| Nonspendable                                   | 10,438              | -                   | 100                                |
| Restricted                                     | 396,087             | 2,618,344           | 934,039                            |
| Assigned                                       | 417                 | -                   | 11,829                             |
| Unassigned                                     | 1,554,201           | -                   | -                                  |
| <b>Total Fund Balances</b>                     | <u>1,961,143</u>    | <u>2,618,344</u>    | <u>945,968</u>                     |
| <b>Total Liabilities and<br/>Fund Balances</b> | <u>\$ 4,776,926</u> | <u>\$ 2,618,344</u> | <u>\$ 1,116,437</u>                |

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

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**Total  
Governmental  
Funds**

|           |                  |
|-----------|------------------|
| \$        | 4,577,385        |
|           | 2,429,641        |
|           | 1,504,243        |
|           | 438              |
| <b>\$</b> | <b>8,511,707</b> |

|    |                  |
|----|------------------|
| \$ | 1,481,785        |
|    | 1,504,243        |
|    | 224              |
|    | <u>2,986,252</u> |

|  |                  |
|--|------------------|
|  | 10,538           |
|  | 3,948,470        |
|  | 12,246           |
|  | <u>1,554,201</u> |
|  | <u>5,525,455</u> |

|           |                  |
|-----------|------------------|
| <b>\$</b> | <b>8,511,707</b> |
|-----------|------------------|

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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|  |                     |
|--|---------------------|
| <b>Total Fund Balance - Governmental Funds</b>   | <b>\$ 5,525,455</b> |
| <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>  |                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.   |                     |
| The cost of capital assets is  | \$ 63,241,923       |
| Accumulated depreciation is  | <u>(15,398,757)</u> |
| Net Capital Assets   | 47,843,166          |
| Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.   | 1,821,558           |
| The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | (517,592)           |
| The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.  | (1,502,544)         |
| The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.     | 12,598              |
| The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.  | (306,980)           |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.   | (21,329,995)        |

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

|  |                  |                                     |
|--|------------------|-------------------------------------|
| General obligation bonds (including premium balance) | \$ 16,246,686    |                                     |
| Bond anticipation note (including premium balance)   | 6,312,993        |                                     |
| Certificates of participation                        | 12,495,000       |                                     |
| Compensated absences                                 | 264,710          |                                     |
| Early retirement incentive                           | 292,568          |                                     |
| Capital leases                                       | 29,441           |                                     |
| Other postemployment benefits (OPEB)                 | <u>1,037,259</u> |                                     |
| Total Long-Term Obligations                          |                  | <u>\$ (36,678,657)</u>              |
| <b>Total Net Position - Governmental Activities</b>  |                  | <b><u><u>\$ (5,132,991)</u></u></b> |

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | <b>General<br/>Fund</b> | <b>Building<br/>Fund</b> |
|--|-------------------------|--------------------------|
| <b>REVENUES</b>  |                         |                          |
| Local Control Funding Formula                            | \$ 26,230,804           | \$ -                     |
| Federal sources  | 2,717,064               | -                        |
| Other State sources                                      | 3,268,686               | -                        |
| Other local sources                                      | 1,721,067               | 6,434                    |
| <b>Total Revenues</b>                                    | <b>33,937,621</b>       | <b>6,434</b>             |
| <b>EXPENDITURES</b>                                      |                         |                          |
| Current  |                         |                          |
| Instruction  | 18,061,223              | -                        |
| Instruction-related activities:                          |                         |                          |
| Supervision of instruction                               | 1,704,677               | -                        |
| Instructional library, media and technology              | 235,881                 | -                        |
| School site administration                               | 2,205,392               | -                        |
| Pupil services:  |                         |                          |
| Home-to-school transportation                            | 1,422,475               | -                        |
| Food services  | 57,517                  | -                        |
| All other pupil services                                 | 1,773,789               | -                        |
| Administration:  |                         |                          |
| Data processing  | 397,183                 | -                        |
| All other administration                                 | 2,274,902               | -                        |
| Plant services   | 3,325,067               | 11,208                   |
| Facility acquisition and construction                    | 859,032                 | 21,828                   |
| Ancillary services                                       | 300,197                 | -                        |
| Other outgo  | 189,194                 | -                        |
| Debt service   |                         |                          |
| Principal  | 513,902                 | -                        |
| Interest and other                                       | 532,890                 | -                        |
| <b>Total Expenditures</b>                                | <b>33,853,321</b>       | <b>33,036</b>            |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>84,300</b>           | <b>(26,602)</b>          |
| <b>Other Financing Sources (Uses)</b>                    |                         |                          |
| Transfers in   | -                       | -                        |
| Transfers out  | -                       | -                        |
| <b>Net Financing Sources (Uses)</b>                      | <b>-</b>                | <b>-</b>                 |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>84,300</b>           | <b>(26,602)</b>          |
| <b>Fund Balance - Beginning</b>                          | <b>1,876,843</b>        | <b>2,644,946</b>         |
| <b>Fund Balance - Ending</b>                             | <b>\$ 1,961,143</b>     | <b>\$ 2,618,344</b>      |

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

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| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| \$ -  | \$ 26,230,804                           |
| 1,342,267                                   | 4,059,331                               |
| 504,071                                     | 3,772,757                               |
| 1,373,254                                   | 3,100,755                               |
| <u>3,219,592</u>                            | <u>37,163,647</u>                       |
| 307,139                                     | 18,368,362                              |
| 74,321                                      | 1,778,998                               |
| -   | 235,881                                 |
| 589   | 2,205,981                               |
| -   | 1,422,475                               |
| 1,323,085                                   | 1,380,602                               |
| 929   | 1,774,718                               |
| -   | 397,183                                 |
| 79,393                                      | 2,354,295                               |
| 111,869                                     | 3,448,144                               |
| 496,814                                     | 1,377,674                               |
| -   | 300,197                                 |
| -   | 189,194                                 |
| 400,000                                     | 913,902                                 |
| 909,614                                     | 1,442,504                               |
| <u>3,703,753</u>                            | <u>37,590,110</u>                       |
| <u>(484,161)</u>                            | <u>(426,463)</u>                        |
| 16,893                                      | 16,893                                  |
| <u>(16,893)</u>                             | <u>(16,893)</u>                         |
| -   | -                                       |
| <u>(484,161)</u>                            | <u>(426,463)</u>                        |
| <u>1,430,129</u>                            | <u>5,951,918</u>                        |
| <u>\$ 945,968</u>                           | <u>\$ 5,525,455</u>                     |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (426,463)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

|                        |              |         |
|------------------------|--------------|---------|
| Capital outlays        | \$ 1,512,060 |         |
| Depreciation expense   | (1,141,644)  |         |
| Net Expense Adjustment |              | 370,416 |

In governmental funds, debt premiums are recognized as revenues. In the government-wide statements, premiums are amortized over the life of the debt.

|                                  |        |
|----------------------------------|--------|
| General obligation bonds premium | 21,846 |
| Bond anticipation note premium   | 29,499 |

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were special termination benefits paid in the amount of \$154,495. Vacation earned was less than the amounts used by \$34,223.

188,718

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

68,507

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

(124,538)

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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

|  |                                   |
|--|-----------------------------------|
| General obligation bonds                                 | \$ 400,000                        |
| Certificates of participation                            | 500,000                           |
| Capital lease obligations                                | <u>13,902</u>                     |
| <b>Change in Net Position of Governmental Activities</b> | <b><u><u>\$ 1,041,887</u></u></b> |

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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|                             | <b>Scholarship<br/>Trust<br/>Fund</b> | <b>Agency<br/>Fund</b>      |
|-----------------------------|---------------------------------------|-----------------------------|
|                             | <u>                    </u>           | <u>                    </u> |
| <b>ASSETS</b>               |                                       |                             |
| Deposits and investments    | \$ 90,920                             | \$ 194,322                  |
|                             | <u>                    </u>           | <u>                    </u> |
| <b>LIABILITIES</b>          |                                       |                             |
| Due to student groups       | \$ -                                  | \$ 194,322                  |
|                             | <u>                    </u>           | <u>                    </u> |
| <b>NET POSITION</b>         |                                       |                             |
| Restricted for scholarships | \$ 90,920                             |                             |
|                             | <u>                    </u>           |                             |

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

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|                                 | <b>Scholarship<br/>Trust<br/>Fund</b> |
|---------------------------------|---------------------------------------|
| <b>ADDITIONS</b>                |                                       |
| Private donations               | \$ 7,940                              |
| <b>DEDUCTIONS</b>               |                                       |
| Scholarships awarded            | 9,910                                 |
| Other expenditures              | 12                                    |
| <b>Total Deductions</b>         | <u>9,922</u>                          |
| <b>Change in Net Position</b>   | (1,982)                               |
| <b>Net Position - Beginning</b> | 92,902                                |
| <b>Net Position - Ending</b>    | <u>\$ 90,920</u>                      |

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Washington Unified School District (the District) was formed on July 1, 2011, from the unification of the American Union Elementary School District, the Washington Union High School District, and the West Fresno Elementary School District, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, a continuation high school, a community day school, and an independent study site.

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, the Deferred Maintenance Fund and the Special Reserve Non-Capital Outlay Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of \$416, an increase in revenues of \$29, and a decrease in transfers in of \$70,418.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

---

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

### Non-Major Governmental Funds

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

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

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into two classifications: scholarship trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is the scholarship trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting; which differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

### **Investments**

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the county treasurer.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

### **Interfund Balances**

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Compensated Absences

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

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

### Accounts Payable and Long-Term Obligations

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

### Debt Premiums

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

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

### Deferred Outflows/Inflows of Resources

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Pensions

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

### Fund Balances - Governmental Funds

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

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$1,330,226 of restricted net position.

### Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

### Estimates

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

### Budgetary Data

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Property Tax

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

### Change in Accounting Principles

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

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

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

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

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

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

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### New Accounting Pronouncements

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

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

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

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

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

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

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

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

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

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

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

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

|                                |                            |
|--------------------------------|----------------------------|
| Governmental activities        | \$ 4,577,385               |
| Fiduciary funds                | 285,242                    |
| Total Deposits and Investments | <u><u>\$ 4,862,627</u></u> |

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

|                                |                            |
|--------------------------------|----------------------------|
| Cash on hand and in banks      | \$ 1,259,360               |
| Cash in revolving              | 10,100                     |
| Investments                    | 3,593,167                  |
| Total Deposits and Investments | <u><u>\$ 4,862,627</u></u> |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Policies and Practices

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

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

### General Authorizations

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Interest Rate Risk

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

### Segmented Time Distribution

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

| <u>Investment Type</u>  | <u>Fair Value</u>   | <u>12 Months or Less</u> | <u>13 - 24 Months</u> | <u>25 - 60 Months</u> | <u>More Than 60 Months</u> |
|-------------------------|---------------------|--------------------------|-----------------------|-----------------------|----------------------------|
| County Pool             | \$ 3,563,673        | \$ -                     | \$ 3,563,673          | \$ -                  | \$ -                       |
| Certificate of Deposits | 61,088              | 61,088                   | -                     | -                     | -                          |
| Mutual Funds            | 10,057              | -                        | -                     | -                     | 10,057                     |
| Total                   | <u>\$ 3,634,818</u> | <u>\$ 61,088</u>         | <u>\$ 3,563,673</u>   | <u>\$ -</u>           | <u>\$ 10,057</u>           |

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

### NOTE 4 - RECEIVABLES

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

|                               | General<br>Fund     | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities |
|-------------------------------|---------------------|------------------|------------------------------------|-------------------------------------|
| Federal Government            |                     |                  |                                    |                                     |
| Categorical aid               | \$ 628,380          | \$ -             | \$ 201,607                         | \$ 829,987                          |
| State Government              |                     |                  |                                    |                                     |
| State grants and entitlements | 1,124,610           | -                | 15,226                             | 1,139,836                           |
| Local Sources                 | 443,005             | 659              | 16,154                             | 459,818                             |
| Total                         | <u>\$ 2,195,995</u> | <u>\$ 659</u>    | <u>\$ 232,987</u>                  | <u>\$ 2,429,641</u>                 |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 5 - CAPITAL ASSETS**

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

|   | Balance<br>July 1, 2015 | Additions            | Deductions           | Balance<br>June 30, 2016 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Governmental Activities                     |                         |                      |                      |                          |
| Capital Assets Not Being Depreciated        |                         |                      |                      |                          |
| Land  | \$ 2,432,571            | \$ -                 | \$ -                 | \$ 2,432,571             |
| Construction in process                     | 16,338,929              | 1,333,540            | 17,234,340           | 438,129                  |
| Total Capital Assets Not Being Depreciated  | <u>18,771,500</u>       | <u>1,333,540</u>     | <u>17,234,340</u>    | <u>2,870,700</u>         |
| Capital Assets Being Depreciated            |                         |                      |                      |                          |
| Land improvements                           | 4,121,752               | 3,556,394            | -                    | 7,678,146                |
| Buildings and improvements                  | 33,738,306              | 13,712,681           | -                    | 47,450,987               |
| Furniture and equipment                     | 5,098,305               | 143,785              | -                    | 5,242,090                |
| Total Capital Assets Being Depreciated      | <u>42,958,363</u>       | <u>17,412,860</u>    | <u>-</u>             | <u>60,371,223</u>        |
| Less Accumulated Depreciation               |                         |                      |                      |                          |
| Land improvements                           | 2,022,571               | 143,500              | -                    | 2,166,071                |
| Buildings and improvements                  | 8,738,868               | 768,002              | -                    | 9,506,870                |
| Furniture and equipment                     | 3,495,674               | 230,142              | -                    | 3,725,816                |
| Total Accumulated Depreciation              | <u>14,257,113</u>       | <u>1,141,644</u>     | <u>-</u>             | <u>15,398,757</u>        |
| Governmental Activities Capital Assets, Net | <u>\$ 47,472,750</u>    | <u>\$ 17,604,756</u> | <u>\$ 17,234,340</u> | <u>\$ 47,843,166</u>     |

Depreciation expense was charged to functional expenses as follows:

|  |                     |
|--|---------------------|
| Governmental Activities                              |                     |
| Instruction  | \$ 525,156          |
| School site administration                           | 34,249              |
| Home-to-school transportation                        | 296,827             |
| Food services  | 91,332              |
| All other general administration                     | 22,833              |
| Data processing                                      | 11,416              |
| Plant services                                       | 159,831             |
| Total Depreciation Expenses, Governmental Activities | <u>\$ 1,141,644</u> |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

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

|                                    | Interfund<br>Receivables | Interfund<br>Payables |
|------------------------------------|--------------------------|-----------------------|
| Major Governmental Funds           |                          |                       |
| General                            | \$ 123,007               | \$ 1,381,236          |
| Building                           | 1,380,000                | -                     |
| Total Major Governmental Funds     | <u>1,503,007</u>         | <u>1,381,236</u>      |
| Non-Major Governmental Funds       |                          |                       |
| Child Development                  | -                        | 19,554                |
| Cafeteria                          | 1,236                    | 103,453               |
| Total Non-Major Governmental Funds | <u>1,236</u>             | <u>123,007</u>        |
| Total All Governmental Funds       | <u>\$ 1,504,243</u>      | <u>\$ 1,504,243</u>   |

|   |                     |
|---|---------------------|
| The General Fund owes the Building Fund for temporary cash flow.                                | \$ 1,380,000        |
| The General Fund owes the Cafeteria Fund for deferred pay adjustments.                          | 1,236               |
| The Child Development Fund owes the General Fund for indirect costs.                            | 14,375              |
| The Child Development Fund owes the General Fund for workers' compensation premiums.            | 5,179               |
| The Cafeteria Fund owes the General Fund for temporary cash flow.                               | 30,000              |
| The Cafeteria Fund owes the General Fund for indirect costs and workers' compensation premiums. | 73,453              |
| Total   | <u>\$ 1,504,243</u> |

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2016, consisted of the following:

|  |                  |
|--|------------------|
| The Capital Facilities Fund transferred to the County School Facilities for temporary cash flow. | <u>\$ 16,893</u> |
|--|------------------|

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2016, consist of the following:

|                       | General<br>Fund     | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities |
|-----------------------|---------------------|------------------------------------|-------------------------------------|
| Vendor payables       | \$ 422,621          | \$ 23,914                          | \$ 446,535                          |
| Deferred payroll      | 723,602             | -                                  | 723,602                             |
| Salaries and benefits | 288,324             | 23,324                             | 311,648                             |
| Total                 | <u>\$ 1,434,547</u> | <u>\$ 47,238</u>                   | <u>\$ 1,481,785</u>                 |

**NOTE 8 - UNEARNED REVENUE**

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

|                       |               |
|-----------------------|---------------|
| State categorical aid | <u>\$ 224</u> |
|-----------------------|---------------|

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

|                                      | Balance<br>July 1, 2015 | Additions         | Deductions          | Balance<br>June 30, 2016 | Due in<br>One Year  |
|--------------------------------------|-------------------------|-------------------|---------------------|--------------------------|---------------------|
| General obligation bonds             | \$ 16,035,000           | \$ -              | \$ 400,000          | \$ 15,635,000            | \$ 425,000          |
| General obligation bonds<br>premium  | 633,532                 | -                 | 21,846              | 611,686                  | 21,846              |
| Bond anticipation note               | 6,195,000               | -                 | -                   | 6,195,000                | -                   |
| Bond anticipation note<br>premium    | 147,492                 | -                 | 29,499              | 117,993                  | 29,499              |
| Certificates of participation        | 12,995,000              | -                 | 500,000             | 12,495,000               | 510,000             |
| Compensated absences - net           | 298,933                 | -                 | 34,223              | 264,710                  | -                   |
| Early retirement incentive -<br>PARS | 447,063                 | -                 | 154,495             | 292,568                  | 154,495             |
| Capital leases                       | 43,343                  | -                 | 13,902              | 29,441                   | 14,441              |
| Other postemployment<br>benefits     | 912,721                 | 668,411           | 543,873             | 1,037,259                | -                   |
| Total                                | <u>\$ 37,708,084</u>    | <u>\$ 668,411</u> | <u>\$ 1,697,838</u> | <u>\$ 36,678,657</u>     | <u>\$ 1,155,281</u> |

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The bond anticipation note is expected to be paid with proceeds from future sales of general obligation bonds. Payments on the certificates of participation are made by the General Fund. The compensated absences, early retirement incentive, and other postemployment benefits are paid by the fund for which the employee worked. Payments for the capital leases are made by the General Fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

| Issue<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue | Bonds<br>Outstanding<br>July 1, 2015 | Bonds<br>Redeemed | Bonds<br>Outstanding<br>June 30, 2016 |
|---------------|------------------|------------------|-------------------|--------------------------------------|-------------------|---------------------------------------|
| 5/4/2010      | 5/1/2023         | 4.5-5.0%         | \$ 2,365,000      | \$ 1,690,000                         | \$ 200,000        | \$ 1,490,000                          |
| 5/4/2010      | 5/1/2035         | 6.6%             | 2,500,000         | 2,500,000                            | -                 | 2,500,000                             |
| 11/6/2012     | 8/1/2043         | 2.0-5.0%         | 11,965,000        | 11,845,000                           | 200,000           | 11,645,000                            |
| Total         |                  |                  |                   | <u>\$ 16,035,000</u>                 | <u>\$ 400,000</u> | <u>\$ 15,635,000</u>                  |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Debt Service Requirements to Maturity**

The bonds mature as follows:

West Fresno 2010 Refunding

| Fiscal Year | Principal    | Interest to<br>Maturity | Total        |
|-------------|--------------|-------------------------|--------------|
| 2017        | \$ 205,000   | \$ 67,050               | \$ 272,050   |
| 2018        | 215,000      | 57,826                  | 272,826      |
| 2019        | 220,000      | 48,150                  | 268,150      |
| 2020        | 230,000      | 38,250                  | 268,250      |
| 2021        | 240,000      | 27,900                  | 267,900      |
| 2022-2023   | 380,000      | 22,950                  | 402,950      |
| Total       | \$ 1,490,000 | \$ 262,126              | \$ 1,752,126 |

West Fresno 1997 Series C

| Fiscal Year | Principal    | Interest to<br>Maturity | Total        |
|-------------|--------------|-------------------------|--------------|
| 2017        | \$ -         | \$ 165,000              | \$ 165,000   |
| 2018        | -            | 165,000                 | 165,000      |
| 2019        | -            | 165,000                 | 165,000      |
| 2020        | -            | 165,000                 | 165,000      |
| 2021        | -            | 165,000                 | 165,000      |
| 2022-2026   | 450,000      | 796,620                 | 1,246,620    |
| 2027-2031   | 990,000      | 554,070                 | 1,544,070    |
| 2032-2035   | 1,060,000    | 180,510                 | 1,240,510    |
| Total       | \$ 2,500,000 | \$ 2,356,200            | \$ 4,856,200 |

Washington Unified 2012 Series A

| Fiscal Year | Principal     | Interest to<br>Maturity | Total         |
|-------------|---------------|-------------------------|---------------|
| 2017        | \$ 220,000    | \$ 493,831              | \$ 713,831    |
| 2018        | 250,000       | 487,231                 | 737,231       |
| 2019        | 245,000       | 479,731                 | 724,731       |
| 2020        | 95,000        | 472,381                 | 567,381       |
| 2021        | 125,000       | 469,531                 | 594,531       |
| 2022-2026   | 895,000       | 2,277,330               | 3,172,330     |
| 2027-2031   | 1,790,000     | 2,079,850               | 3,869,850     |
| 2032-2036   | 2,475,000     | 1,696,050               | 4,171,050     |
| 2037-2041   | 2,940,000     | 1,122,000               | 4,062,000     |
| 2042-2044   | 2,610,000     | 269,000                 | 2,879,000     |
| Total       | \$ 11,645,000 | \$ 9,846,935            | \$ 21,491,935 |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Bond Anticipation Note**

The outstanding bond anticipation note (BAN) is as follows:

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>BAN Outstanding July 1, 2015</u> | <u>Issued</u> | <u>BAN Outstanding June 30, 2016</u> |
|-------------------|----------------------|----------------------|-----------------------|-------------------------------------|---------------|--------------------------------------|
| 1/7/2015          | 1/1/2020             | 2.75%                | \$ 6,195,000          | \$ 6,195,000                        | \$ -          | \$ 6,195,000                         |

**Debt Service Requirements to Maturity**

The bond anticipation note matures as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|------------------|-----------------------------|--------------|
| 2017               | \$ -             | \$ 170,363                  | \$ 170,363   |
| 2018               | -                | 170,363                     | 170,363      |
| 2019               | -                | 170,363                     | 170,363      |
| 2020               | 6,195,000        | 85,179                      | 6,280,179    |
| Total              | \$ 6,195,000     | \$ 596,268                  | \$ 6,791,268 |

**Certificates of Participation**

On October 1, 2103, the Washington Unified School District issued certificates of participation in the amount of \$12,995,000 with interest rates ranging from 2.0 to 5.3 percent. As of June 30, 2016, the principal balance outstanding was \$12,495,000.

The certificates mature through 2034 as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  |
|-----------------------------|------------------|-----------------|---------------|
| 2017                        | \$ 510,000       | \$ 521,114      | \$ 1,031,114  |
| 2018                        | 520,000          | 510,814         | 1,030,814     |
| 2019                        | 535,000          | 497,588         | 1,032,588     |
| 2020                        | 550,000          | 481,613         | 1,031,613     |
| 2021                        | 565,000          | 464,589         | 1,029,589     |
| 2022-2026                   | 3,135,000        | 1,992,744       | 5,127,744     |
| 2027-2031                   | 3,870,000        | 1,224,732       | 5,094,732     |
| 2032-2034                   | 2,810,000        | 225,719         | 3,035,719     |
| Total                       | \$ 12,495,000    | \$ 5,918,913    | \$ 18,413,913 |

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2016, amounted to \$264,710.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **PARS Early Retirement Incentive**

The District entered into an agreement with 18 employees where the employees would be given varying amounts per participant for five years. The outstanding liability for this plan was \$292,568 at June 30, 2016.

The annual payments are as follows:

| Year Ending<br>June 30, | Payment           |
|-------------------------|-------------------|
| 2017                    | \$ 154,495        |
| 2018                    | 138,073           |
| Total                   | <u>\$ 292,568</u> |

### **Capital Leases**

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

|                        |                  |
|------------------------|------------------|
| Balance, July 1, 2015  | \$ 43,343        |
| Payments               | 13,902           |
| Balance, June 30, 2016 | <u>\$ 29,441</u> |

The capital leases have minimum lease payments as follows:

| Year Ending<br>June 30,                 | Lease<br>Payment |
|---|------------------|
| 2017                                    | \$ 15,580        |
| 2018                                    | 15,580           |
| Total                                   | 31,160           |
| Less: Amount Representing Interest      | 1,719            |
| Present Value of Minimum Lease Payments | <u>\$ 29,441</u> |

### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2016, was \$631,902, and contributions made by the District during the year were \$491,090 (includes factor of 1.1205 to adjust for the implicit rate subsidy). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$36,509 and \$(52,783), respectively, which resulted in an increase to the net OPEB obligation of \$124,538. As of June 30, 2016, the net OPEB obligation was \$1,037,259. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

|                             | General<br>Fund     | Building<br>Fund    | Non-Major<br>Governmental<br>Funds | Total               |
|-----------------------------|---------------------|---------------------|------------------------------------|---------------------|
| Nonspendable                |                     |                     |                                    |                     |
| Revolving cash              | \$ 10,000           | \$ -                | \$ 100                             | \$ 10,100           |
| Stores inventories          | 438                 | -                   | -                                  | 438                 |
| Total Nonspendable          | <u>10,438</u>       | <u>-</u>            | <u>100</u>                         | <u>10,538</u>       |
| Restricted                  |                     |                     |                                    |                     |
| Legally restricted programs | 396,087             | -                   | 114,167                            | 510,254             |
| Capital projects            | -                   | 2,618,344           | 102,590                            | 2,720,934           |
| Debt services               | -                   | -                   | 717,282                            | 717,282             |
| Total Restricted            | <u>396,087</u>      | <u>2,618,344</u>    | <u>934,039</u>                     | <u>3,948,470</u>    |
| Assigned                    |                     |                     |                                    |                     |
| Capital projects            | -                   | -                   | 11,829                             | 11,829              |
| Other                       | 417                 | -                   | -                                  | 417                 |
| Total Assigned              | <u>417</u>          | <u>-</u>            | <u>11,829</u>                      | <u>12,246</u>       |
| Unassigned                  | <u>1,554,201</u>    | <u>-</u>            | <u>-</u>                           | <u>1,554,201</u>    |
| Total                       | <u>\$ 1,961,143</u> | <u>\$ 2,618,344</u> | <u>\$ 945,968</u>                  | <u>\$ 5,525,455</u> |

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

**Plan Description**

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Washington Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 39 retirees and beneficiaries currently receiving benefits and approximately 262 active plan members.

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District, the Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$491,090 to the plan (including an implicit rate subsidy factor of 1.1205).

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

### Annual OPEB Cost and Net OPEB Obligation

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

|  |                            |
|--|----------------------------|
| Annual required contribution               | \$ 631,902                 |
| Interest on net OPEB obligation            | 36,509                     |
| Adjustment to annual required contribution | <u>(52,783)</u>            |
| Annual OPEB cost (expense)                 | 615,628                    |
| Contributions made                         | <u>(491,090)</u>           |
| Increase in net OPEB obligation            | 124,538                    |
| Net OPEB obligation, beginning of year     | <u>912,721</u>             |
| Net OPEB obligation, end of year           | <u><u>\$ 1,037,259</u></u> |

### Trend Information

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

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Actual<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2015                   | \$ 615,628          | \$ 491,090             | 79.77%                    | \$ 1,037,259           |
| 2015                   | 618,618             | 450,949                | 72.90%                    | 912,721                |
| 2014                   | 660,009             | 520,781                | 78.91%                    | 745,052                |

### Funded Status and Funding Progress

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Projected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>([b - a] / c) |
|--------------------------------|-------------------------------------|--|--------------------------------------|----------------------------|------------------------|---|
| July 1, 2014                   | \$ -                                | \$ 6,129,460   | \$ 6,129,460                         | 0%                         | \$ 15,687,740          | 39.07%  |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

### **Actuarial Methods and Assumptions**

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

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eight percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method open period.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **NOTE 12 - RISK MANAGEMENT**

#### **Property and Liability**

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

#### **Workers' Compensation**

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

#### **Employee Medical Benefits**

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

| <u>Pension Plan</u> | <u>Collective Net Pension Liability</u> | <u>Collective Deferred Outflows of Resources</u> | <u>Collective Deferred Inflows of Resources</u> | <u>Collective Pension Expense</u> |
|---------------------|---|--|---|-----------------------------------|
| CalSTRS             | \$ 16,333,801                           | \$ 2,632,145                                     | \$ 3,688,979                                    | \$ 1,116,171                      |
| CalPERS             | 4,996,194                               | 1,862,500  | 1,298,626                                       | 542,829                           |
| Total               | <u>\$ 21,329,995</u>                    | <u>\$ 4,494,645</u>                              | <u>\$ 4,987,605</u>                             | <u>\$ 1,659,000</u>               |

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

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

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

##### **Benefits Provided**

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

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

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

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

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$1,345,194.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

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

Total net pension liability, including State share:

|   |                      |
|---|----------------------|
| District's proportionate share of net pension liability                               | \$ 16,333,801        |
| State's proportionate share of the net pension liability associated with the District | 8,638,780            |
| Total   | <u>\$ 24,972,581</u> |

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0243 percent and 0.0255 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,116,171. In addition, the District recognized pension expense and revenue of \$669,171 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$ 1,345,194                      | \$ -                             |
| Net change in proportionate share of net pension liability   | -                                 | 797,617                          |
| Difference between projected and actual earnings on pension plan investments                         | 1,286,951                         | 2,618,420                        |
| Differences between expected and actual experience in the measurement of the total pension liability | -                                 | 272,942                          |
| Total  | <u>\$ 2,632,145</u>               | <u>\$ 3,688,979</u>              |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (551,069)                                   |
| 2018                   | (551,069)                                      |
| 2019                   | (551,069)                                      |
| 2020                   | 321,738  |
| Total                  | <u>\$ (1,331,469)</u>                          |

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ (178,426)                                   |
| 2018                   | (178,426)                                      |
| 2019                   | (178,426)                                      |
| 2020                   | (178,427)                                      |
| 2021                   | (178,427)                                      |
| Thereafter             | (178,427)                                      |
| Total                  | <u>\$ (1,070,559)</u>                          |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Actuarial Methods and Assumptions

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

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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

| Asset Class         | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---------------------|--------------------------|--|
| Global equity       | 47%                      | 4.50%                                  |
| Private equity      | 12%                      | 6.20%                                  |
| Real estate         | 15%                      | 4.35%                                  |
| Inflation sensitive | 5%                       | 3.20%                                  |
| Fixed income        | 20%                      | 0.20%                                  |
| Cash/liquidity      | 1%                       | 0.00%                                  |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Discount Rate

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

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

| <u>Discount Rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.60%)           | \$ 24,662,768                |
| Current discount rate (7.60%) | \$ 16,333,801                |
| 1% increase (8.60%)           | \$ 9,411,757                 |

### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### Benefits Provided

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

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

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

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$476,364.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,996,194. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0339 percent and 0.0314 percent, resulting in a net increase in the proportionate share of 0.0025 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$542,829. 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<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$ 476,364                        | \$ -                             |
| Net change in proportionate share of net pension liability   | 280,025                           | -                                |
| Difference between projected and actual earnings on pension plan investments                         | 820,571                           | 991,646                          |
| Differences between expected and actual experience in the measurement of the total pension liability | 285,540                           | -                                |
| Changes of assumptions   | -                                 | 306,980                          |
| Total  | <u>\$ 1,862,500</u>               | <u>\$ 1,298,626</u>              |

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2016                   | \$ (125,406)                                   |
| 2017                   | (125,406)                                      |
| 2018                   | (125,406)                                      |
| 2019                   | 205,143  |
| Total                  | <u>\$ (171,075)</u>                            |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2017                   | \$ 89,167                                      |
| 2018                   | 89,167   |
| 2019                   | 80,251   |
| Total                  | <u>\$ 258,585</u>                              |

### Actuarial Methods and Assumptions

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

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

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

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>            | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------------|---------------------------------|---|
| Global equity                 | 51%                             | 5.25%   |
| Global fixed income           | 19%                             | 0.99%   |
| Private equity                | 10%                             | 6.83%   |
| Real estate                   | 10%                             | 4.50%   |
| Inflation sensitive           | 6%                              | 0.45%   |
| Infrastructure and Forestland | 2%                              | 4.50%   |
| Liquidity                     | 2%                              | -0.55%  |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| <u>Discount rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.65%)           | \$ 8,131,722                 |
| Current discount rate (7.65%) | \$ 4,996,194                 |
| 1% increase (8.65%)           | \$ 2,388,793                 |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$797,241 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

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

#### Litigation

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

#### Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

| <u>Capital Projects</u>                             | <u>Remaining<br/>Construction<br/>Commitment</u> | <u>Expected<br/>Date of<br/>Completion</u> |
|---|--|--|
| American Union Elementary School two portables      | \$ 7,300   | October 2016                               |
| Washington Union High School drinking water project | 2,425,748  | August 2018                                |
| West Fresno Elementary School restroom remodel      | 1,600,000  | August 2017                                |
| Total   | <u>\$ 4,033,048</u>                              |  |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Fresno County Self-Insurance Group (FCSIG), the Organization of Self-Insured Schools (OSS) and the California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

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

During the year ended June 30, 2016, the District made payment of \$395,568 to FCSIG for workers' compensation insurance.

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

During the year ended June 30, 2016, the District made payment of \$187,459 to OSS for liability and property damage insurance.

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

During the year ended June 30, 2016, the District made payment of \$4,455,232 to CVT for health coverage.

### **NOTE 16 - SUBSEQUENT EVENTS**

#### **Tax and Revenue Anticipation Notes**

The District issued \$3,665,000 of Tax and Revenue Anticipation Notes dated July 14, 2016. The notes mature on June 30, 2017, and yield 2.0 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2017, until 100 percent of principal and interest due is on account by April 30, 2017.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variances -</b>         |
|--|-------------------------|---------------------|---------------------|----------------------------|
|  | <b>Original</b>         | <b>Final</b>        |                     | <b>Favorable</b>           |
|  |                         |                     |                     | <b>(Unfavorable)</b>       |
|  |                         |                     |                     | <b>Final<br/>to Actual</b> |
| <b>REVENUES</b>                        |                         |                     |                     |                            |
| Local Control Funding Formula          | \$ 25,574,974           | \$ 26,230,804       | \$ 26,230,804       | \$ -                       |
| Federal sources                        | 2,810,202               | 2,717,068           | 2,717,064           | (4)                        |
| Other State sources                    | 2,489,235               | 3,268,686           | 3,268,686           | -                          |
| Other local sources                    | 974,729                 | 1,722,941           | 1,721,067           | (1,874)                    |
| <b>Total Revenues</b> <sup>1</sup>     | <b>31,849,140</b>       | <b>33,939,499</b>   | <b>33,937,621</b>   | <b>(1,878)</b>             |
| <b>EXPENDITURES</b>                    |                         |                     |                     |                            |
| Current                                |                         |                     |                     |                            |
| Certificated salaries                  | 12,432,452              | 12,781,408          | 12,781,408          | -                          |
| Classified salaries                    | 4,027,209               | 4,346,496           | 4,346,494           | 2                          |
| Employee benefits                      | 7,176,524               | 8,252,629           | 8,252,609           | 20                         |
| Books and supplies                     | 1,526,348               | 1,403,075           | 1,400,072           | 3,003                      |
| Services and operating expenditures    | 3,974,947               | 5,005,593           | 5,005,596           | (3)                        |
| Other outgo                            | 75,598                  | 109,800             | 109,800             | -                          |
| Capital outlay                         | 129,940                 | 910,550             | 910,550             | -                          |
| Debt service - principal               | 533,907                 | 513,902             | 513,902             | -                          |
| Debt service - interest                | 512,887                 | 532,890             | 532,890             | -                          |
| <b>Total Expenditures</b> <sup>1</sup> | <b>30,389,812</b>       | <b>33,856,343</b>   | <b>33,853,321</b>   | <b>3,022</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>     | <b>1,459,328</b>        | <b>83,156</b>       | <b>84,300</b>       | <b>1,144</b>               |
| <b>Fund Balance - Beginning</b>        | <b>1,876,843</b>        | <b>1,876,843</b>    | <b>1,876,843</b>    | <b>-</b>                   |
| <b>Fund Balance - Ending</b>           | <b>\$ 3,336,171</b>     | <b>\$ 1,959,999</b> | <b>\$ 1,961,143</b> | <b>\$ 1,144</b>            |

<sup>1</sup> Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Non-Capital Outlay Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying notes to required supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets (a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL) -<br/>Projected<br/>Unit Credit (b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded<br/>Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll (c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>( b - a  / c)</b> |
|---|--|--|--|-------------------------------------|--------------------------------|--|
| July 1, 2014                            | \$ -   | \$ 6,129,460   | \$ 6,129,460                                   | 0%                                  | \$ 15,687,740                  | 39.07%   |

See accompanying notes to required supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |
| District's proportion of the net pension liability   | <u>0.0243%</u>       | <u>0.0255%</u>       |
| District's proportionate share of the net pension liability  | \$ 16,333,801        | \$ 14,924,366        |
| State's proportionate share of the net pension liability<br>associated with the District                         | <u>8,638,780</u>     | <u>9,011,976</u>     |
| Total  | <u>\$ 24,972,581</u> | <u>\$ 23,936,342</u> |
| District's covered - employee payroll  | <u>\$ 11,934,257</u> | <u>\$ 11,219,455</u> |
| District's proportionate share of the net pension liability<br>as a percentage of its covered - employee payroll | <u>136.86%</u>       | <u>133.02%</u>       |
| Plan fiduciary net position as a percentage of the total pension liability                                       | <u>74%</u>           | <u>77%</u>           |
| <b>CalPERS</b>   |                      |                      |
| District's proportion of the net pension liability   | <u>0.0339%</u>       | <u>0.0314%</u>       |
| District's proportionate share of the net pension liability  | <u>\$ 4,996,194</u>  | <u>\$ 3,567,659</u>  |
| District's covered - employee payroll  | <u>\$ 3,753,165</u>  | <u>\$ 3,110,103</u>  |
| District's proportionate share of the net pension liability<br>as a percentage of its covered - employee payroll | <u>133.12%</u>       | <u>114.71%</u>       |
| Plan fiduciary net position as a percentage of the total pension liability                                       | <u>79%</u>           | <u>83%</u>           |

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

See accompanying notes to required supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 1,345,194         | \$ 1,059,762         |
| Contributions in relation to the contractually required contribution | <u>1,345,194</u>     | <u>1,059,762</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| <br>   |                      |                      |
| District's covered - employee payroll                                | <u>\$ 12,536,757</u> | <u>\$ 11,934,257</u> |
| <br>   |                      |                      |
| Contributions as a percentage of covered - employee payroll          | <u>10.73%</u>        | <u>8.88%</u>         |
| <br>   |                      |                      |
| <b>CalPERS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 476,364           | \$ 441,785           |
| Contributions in relation to the contractually required contribution | <u>476,364</u>       | <u>441,785</u>       |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| <br>   |                      |                      |
| District's covered - employee payroll                                | <u>\$ 4,020,967</u>  | <u>\$ 3,753,165</u>  |
| <br>   |                      |                      |
| Contributions as a percentage of covered - employee payroll          | <u>11.847%</u>       | <u>11.771%</u>       |

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

See accompanying notes to required supplementary information.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

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

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

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

#### **Schedule of District Contributions**

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

### NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

#### **Changes in Benefit Terms**

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

#### **Changes in Assumptions**

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

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***SUPPLEMENTARY INFORMATION***

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**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                              |                           |   |                         |
| Passed Through California Department of Education (CDE):         |                           |   |                         |
| No Child Left Behind   |                           |   |                         |
| Title I - Part A, Basic  | 84.010                    | 14329   | \$ 1,719,988            |
| Title I - Part C, Migrant Education, Regular                     | 84.011                    | 14326   | 80,834                  |
| Title I - Part C, Migrant Education, Summer                      | 84.011                    | 10005   | 4,002                   |
| Title I - Part G, Advanced Placement Test Fee                    | 84.330                    | 14831   | 8,693                   |
| Title II - Part A, Teacher Quality                               | 84.367                    | 14341   | 149,687                 |
| Title III - Limited English Proficiency                          | 84.365                    | 14346   | 93,933                  |
| Title IV - Part B, 21st Century                                  | 84.287                    | 14349   | 229,114                 |
| Vocational Education - Applied Technology                        | 84.048                    | 14894   | 60,045                  |
| IDEA, Basic Local Assistance                                     | 84.027                    | 13379   | 368,188                 |
| Total U.S. Department of Education                               |                           |   | <u>2,714,484</u>        |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                            |                           |   |                         |
| Passed Through CDE:  |                           |   |                         |
| Child Nutrition - Equipment Assistance Grant                     | 10.579                    | 14906   | 73,450                  |
| Child Nutrition Cluster  |                           |   |                         |
| National School Lunch  | 10.555                    | 13391   | 913,881                 |
| Especially Needy Breakfast                                       | 10.553                    | 13526   | 263,907                 |
| Meals Supplements - Snack  | 10.555                    | 13391   | 71,389                  |
| Summer Food Program  | 10.559                    | 13004   | 19,640                  |
| Food Distribution - Commodities                                  | 10.555                    | 13391   | 155,351                 |
| Subtotal - Child Nutrition Cluster                               |                           |   | <u>1,424,168</u>        |
| Total U.S. Department of Agriculture                             |                           |   | <u>1,497,618</u>        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>              |                           |   |                         |
| Passed Through California Department of Health Care Services:    |                           |   |                         |
| Medi-Cal Administrative Activities                               | 93.778                    | 10060   | 2,580                   |
| Total U.S. Department of Health and<br>Human Services            |                           |   | <u>2,580</u>            |
| Total Expenditures of Federal Awards                             |                           |   | <u>\$ 4,214,682</u>     |

See accompanying note to supplementary information.

# WASHINGTON UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

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### ORGANIZATION

The Washington Unified School District was unified on July 1, 2011, and consists of an area comprising approximately 99 square miles. The District operates two elementary schools, one middle school, one high school, a continuation high school, a community day school, and an independent study site. There were no boundary changes during the year.

### GOVERNING BOARD

| MEMBER                    | OFFICE         | TERM EXPIRES |
|---------------------------|----------------|--------------|
| Jim Curtis                | President      | 2016         |
| Dr. Henry Hendrix         | Vice President | 2018         |
| Frank O. Butterfield, Jr. | Clerk          | 2016         |
| Neil Amaral               | Member         | 2016         |
| Steven Barra              | Member         | 2018         |
| Darrell Carter            | Member         | 2018         |
| Antonio Rodriguez, Jr.    | Member         | 2016         |

### ADMINISTRATION

|                |                          |
|----------------|--------------------------|
| John Pesticich | District Superintendent  |
| Joey Campbell  | Assistant Superintendent |
| Jill Tafoya    | Assistant Superintendent |
| Hank Gutierrez | Assistant Superintendent |
| Chris Vaz      | Chief Business Official  |

See accompanying note to supplementary information.

# WASHINGTON UNIFIED SCHOOL DISTRICT

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

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|   | <u>Second Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|---|---------------------------------|--------------------------|
| Regular ADA                             |                                 |                          |
| Transitional kindergarten through third | 661.54                          | 656.01                   |
| Fourth through sixth                    | 455.01                          | 456.04                   |
| Seventh and eighth                      | 281.05                          | 280.22                   |
| Ninth through twelfth                   | 1,090.19                        | 1,090.54                 |
| Total Regular ADA                       | <u>2,487.79</u>                 | <u>2,482.81</u>          |
| Community Day School                    |                                 |                          |
| Ninth through twelfth                   | 4.11                            | 4.54                     |
| Total Community Day School              | <u>4.11</u>                     | <u>4.54</u>              |
| Total ADA                               | <u><u>2,491.90</u></u>          | <u><u>2,487.35</u></u>   |

See accompanying note to supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

| Grade Level   | 1986-1987<br>Minutes<br>Requirement | 2015-2016<br>Actual<br>Minutes | Number of Days          |                        | Status   |
|---------------|-------------------------------------|--------------------------------|-------------------------|------------------------|----------|
|               |                                     |                                | Traditional<br>Calendar | Multitrack<br>Calendar |          |
| Kindergarten  | 36,000                              | 56,240                         | 180                     | N/A                    | Complied |
| Grades 1 - 3  | 50,400                              |                                |                         |                        |          |
| Grade 1       |                                     | 54,035                         | 180                     | N/A                    | Complied |
| Grade 2       |                                     | 54,035                         | 180                     | N/A                    | Complied |
| Grade 3       |                                     | 54,035                         | 180                     | N/A                    | Complied |
| Grades 4 - 6  | 54,000                              |                                |                         |                        |          |
| Grade 4       |                                     | 63,035                         | 180                     | N/A                    | Complied |
| Grade 5       |                                     | 63,035                         | 180                     | N/A                    | Complied |
| Grade 6       |                                     | 63,035                         | 180                     | N/A                    | Complied |
| Grades 7 - 8  | 54,000                              |                                |                         |                        |          |
| Grade 7       |                                     | 63,035                         | 180                     | N/A                    | Complied |
| Grade 8       |                                     | 63,035                         | 180                     | N/A                    | Complied |
| Grades 9 - 12 | 64,800                              |                                |                         |                        |          |
| Grade 9       |                                     | 65,800                         | 180                     | N/A                    | Complied |
| Grade 10      |                                     | 65,800                         | 180                     | N/A                    | Complied |
| Grade 11      |                                     | 65,800                         | 180                     | N/A                    | Complied |
| Grade 12      |                                     | 65,800                         | 180                     | N/A                    | Complied |

See accompanying note to supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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

See accompanying note to supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | (Budget)<br>2017 <sup>1,4</sup> | 2016 <sup>4</sup>    | 2015 <sup>4</sup>    | 2014 <sup>4</sup>    |
|--|---------------------------------|----------------------|----------------------|----------------------|
| <b>GENERAL FUND</b>                                      |                                 |                      |                      |                      |
| Revenues   | \$ 34,153,267                   | \$ 33,937,592        | \$ 30,796,258        | \$ 27,035,733        |
| Other sources and transfers in                           | -                               | 70,418               | -                    | -                    |
| Total Revenues and Other Sources <sup>3</sup>            | <u>34,153,267</u>               | <u>34,008,010</u>    | <u>30,796,259</u>    | <u>27,035,733</u>    |
| Expenditures   | 33,959,523                      | 33,853,321           | 33,251,370           | 26,911,957           |
| Other uses and transfers out                             | -                               | -                    | -                    | 53,562               |
| Total Expenditures and Other Uses <sup>3</sup>           | <u>33,959,523</u>               | <u>33,853,321</u>    | <u>33,251,370</u>    | <u>26,965,519</u>    |
| <b>INCREASE/(DECREASE) IN FUND BALANCE</b>               | \$ 193,744                      | \$ 154,689           | \$ (2,455,111)       | \$ 70,214            |
| <b>ENDING FUND BALANCE</b>                               | <u>\$ 1,999,782</u>             | <u>\$ 1,960,727</u>  | <u>\$ 1,806,038</u>  | <u>\$ 4,261,150</u>  |
| <b>AVAILABLE RESERVES<sup>2</sup></b>                    | <u>\$ 1,837,018</u>             | <u>\$ 1,554,201</u>  | <u>\$ 1,510,332</u>  | <u>\$ 3,603,814</u>  |
| <b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b> | <u>5.4%</u>                     | <u>4.6%</u>          | <u>4.5%</u>          | <u>13.4%</u>         |
| <b>LONG-TERM OBLIGATIONS</b>                             | <u>Not Available</u>            | <u>\$ 36,678,657</u> | <u>\$ 37,708,084</u> | <u>\$ 31,554,860</u> |
| <b>AVERAGE DAILY ATTENDANCE AT P-2</b>                   | <u>2,492</u>                    | <u>2,492</u>         | <u>2,424</u>         | <u>2,458</u>         |

The General Fund balance has decreased by \$2,300,423 over the past two years. The fiscal year 2016-2017 budget projects an increase of \$193,744 (9.9 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have increased by \$5,123,797 over the past two years.

Average daily attendance has increased by 34 over the past two years. No change in ADA is anticipated during fiscal year 2016-2017.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances contained with the General Fund.

<sup>3</sup> On behalf payments made by the State to CalSTRS have been included in revenues and expenditures in the 2015 and 2016 fiscal years, but were not included in the 2014 fiscal year.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Non-Capital Outlay Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2016**

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| <u>Name of Charter School</u>                      | <u>Included in<br/>Audit Report</u> |
|--|-------------------------------------|
| W.E.B. DuBois Public Charter (Charter Number 0270) | No                                  |

See accompanying note to supplementary information.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> |
|--|---------------------------------------|---------------------------|--|
| <b>ASSETS</b>                                  |                                       |                           |  |
| Deposits and investments                       | \$ 27,963                             | \$ 30,343                 | \$ 100,853                             |
| Receivables                                    | 224                                   | 224,484                   | 212                                    |
| Due from other funds                           | -                                     | 1,236                     | -                                      |
| <b>Total Assets</b>                            | <u>\$ 28,187</u>                      | <u>\$ 256,063</u>         | <u>\$ 101,065</u>                      |
| <b>LIABILITIES AND FUND BALANCES</b>           |                                       |                           |  |
| <b>Liabilities:</b>                            |                                       |                           |  |
| Accounts payable                               | \$ 8,409                              | \$ 38,343                 | \$ -                                   |
| Due to other funds                             | 19,554                                | 103,453                   | -                                      |
| Unearned revenue                               | 224                                   | -                         | -                                      |
| <b>Total Liabilities</b>                       | <u>28,187</u>                         | <u>141,796</u>            | <u>-</u>                               |
| <b>Fund Balances:</b>                          |                                       |                           |  |
| Nonspendable                                   | -                                     | 100                       | -                                      |
| Restricted                                     | -                                     | 114,167                   | 101,065                                |
| Assigned                                       | -                                     | -                         | -                                      |
| <b>Total Fund Balances</b>                     | <u>-</u>                              | <u>114,267</u>            | <u>101,065</u>                         |
| <b>Total Liabilities and<br/>Fund Balances</b> | <u>\$ 28,187</u>                      | <u>\$ 256,063</u>         | <u>\$ 101,065</u>                      |

See accompanying note to supplementary information.

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| <b>County School<br/>Facilities<br/>Fund</b> | <b>Special Reserve<br/>Capital Outlay<br/>Fund</b> | <b>Bond<br/>Interest and<br/>Redemption<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|--|--|--|---|
| \$ 2,004                                     | \$ 6,325   | \$ 714,726   | \$ 882,214  |
| 7  | 5,504  | 2,556  | 232,987   |
| -  | -  | -  | 1,236   |
| <u>\$ 2,011</u>                              | <u>\$ 11,829</u>                                   | <u>\$ 717,282</u>                                    | <u>\$ 1,116,437</u>                                   |
| <br>   |  |  |   |
| \$ 486                                       | \$ -   | \$ -   | \$ 47,238   |
| -  | -  | -  | 123,007   |
| -  | -  | -  | 224   |
| <u>486</u>                                   | <u>-</u>   | <u>-</u>   | <u>170,469</u>  |
| <br>   |  |  |   |
| -  | -  | -  | 100   |
| 1,525  | -  | 717,282  | 934,039   |
| -  | 11,829   | -  | 11,829  |
| <u>1,525</u>                                 | <u>11,829</u>                                      | <u>717,282</u>                                       | <u>945,968</u>  |
| <br>   |  |  |   |
| <u>\$ 2,011</u>                              | <u>\$ 11,829</u>                                   | <u>\$ 717,282</u>                                    | <u>\$ 1,116,437</u>                                   |

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> |
|--|---------------------------------------|---------------------------|--|
| <b>REVENUES</b>  |                                       |                           |  |
| Federal sources  | \$ -                                  | \$ 1,342,267              | \$ -                                   |
| Other State sources  | 396,510                               | 96,057                    | -                                      |
| Other local sources  | 843                                   | 14,100                    | 168,025                                |
| <b>Total Revenues</b>  | <u>397,353</u>                        | <u>1,452,424</u>          | <u>168,025</u>                         |
| <b>EXPENDITURES</b>  |                                       |                           |  |
| Current  |                                       |                           |  |
| Instruction  | 307,139                               | -                         | -                                      |
| Instruction-related activities:                              |                                       |                           |  |
| Supervision of instruction                                   | 74,321                                | -                         | -                                      |
| School site administration                                   | 589                                   | -                         | -                                      |
| Pupil services:  |                                       |                           |  |
| Food services  | -                                     | 1,323,085                 | -                                      |
| All other pupil services                                     | 929                                   | -                         | -                                      |
| Administration:  |                                       |                           |  |
| All other administration                                     | 14,375                                | 65,018                    | -                                      |
| Plant services   | -                                     | 33,373                    | 78,496                                 |
| Facility acquisition and construction                        | -                                     | -                         | 1,875                                  |
| Debt service   |                                       |                           |  |
| Principal  | -                                     | -                         | -                                      |
| Interest and other   | -                                     | -                         | -                                      |
| <b>Total Expenditures</b>                                    | <u>397,353</u>                        | <u>1,421,476</u>          | <u>80,371</u>                          |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>-</u>                              | <u>30,948</u>             | <u>87,654</u>                          |
| <b>Other Financing Sources (Uses)</b>                        |                                       |                           |  |
| Transfers in   | -                                     | -                         | -                                      |
| Transfers out  | -                                     | -                         | (16,893)                               |
| <b>Net Financing Sources (Uses)</b>                          | <u>-</u>                              | <u>-</u>                  | <u>(16,893)</u>                        |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <u>-</u>                              | <u>30,948</u>             | <u>70,761</u>                          |
| <b>Fund Balance - Beginning</b>                              | <u>-</u>                              | <u>83,319</u>             | <u>30,304</u>                          |
| <b>Fund Balance - Ending</b>                                 | <u>\$ -</u>                           | <u>\$ 114,267</u>         | <u>\$ 101,065</u>                      |

See accompanying note to supplementary information.

| <b>County School<br/>Facilities<br/>Fund</b> | <b>Special Reserve<br/>Capital Outlay<br/>Fund</b> | <b>Bond<br/>Interest and<br/>Redemption<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|--|--|--|---|
| \$ -   | -  | \$ -   | \$ 1,342,267  |
| -  | -  | 11,504   | 504,071   |
| 3,374  | 11,829   | 1,175,083  | 1,373,254   |
| <u>3,374</u>                                 | <u>11,829</u>                                      | <u>1,186,587</u>                                     | <u>3,219,592</u>                                      |
| -  | -  | -  | 307,139   |
| -  | -  | -  | 74,321  |
| -  | -  | -  | 589   |
| -  | -  | -  | 1,323,085   |
| -  | -  | -  | 929   |
| -  | -  | -  | 79,393  |
| -  | -  | -  | 111,869   |
| 494,939                                      | -  | -  | 496,814   |
| -  | -  | 400,000  | 400,000   |
| -  | -  | 909,614  | 909,614   |
| <u>494,939</u>                               | <u>-</u>   | <u>1,309,614</u>                                     | <u>3,703,753</u>                                      |
| <u>(491,565)</u>                             | <u>11,829</u>                                      | <u>(123,027)</u>                                     | <u>(484,161)</u>                                      |
| 16,893                                       | -  | -  | 16,893  |
| -  | -  | -  | (16,893)  |
| <u>16,893</u>                                | <u>-</u>   | <u>-</u>   | <u>-</u>  |
| <u>(474,672)</u>                             | <u>11,829</u>                                      | <u>(123,027)</u>                                     | <u>(484,161)</u>                                      |
| 476,197                                      | -  | 840,309  | 1,430,129   |
| <u>\$ 1,525</u>                              | <u>\$ 11,829</u>                                   | <u>\$ 717,282</u>                                    | <u>\$ 945,968</u>                                     |

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

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

|   | CFDA<br>Number | Amount              |
|---|----------------|---------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances: |                | \$ 4,059,331        |
| Reconciling item:   |                |                     |
| Food Distribution - Commodities   | 10.555         | 155,351             |
| Total Schedule of Expenditures of Federal Awards  |                | <u>\$ 4,214,682</u> |

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

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

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

# WASHINGTON UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Washington Unified School District  
Fresno, 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 Washington Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Washington Unified School 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 Washington Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington Unified School District's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2016



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

Governing Board  
Washington Unified School District  
Fresno, California

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Varinich, Trine, Day & Co. LLP*

Fresno, California  
December 14, 2016



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Washington Unified School District  
Fresno, California

### Report on State Compliance

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

### Management's Responsibility

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

### Auditor's Responsibility

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

### Unmodified Opinion

In our opinion, Washington Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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

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

We did not perform Continuation Education procedures because the ADA for the Continuation Education Program was under the level that requires testing.

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

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

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

We did not perform procedures for the General Requirements of the After School Education and Safety Program because the grantee, Fresno County Office of Education, administers the program and has its own audit.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

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

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

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 14, 2016

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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**FINANCIAL STATEMENTS**

|   |                      |
|---|----------------------|
| Type of auditor's report issued:                      | <u>Unmodified</u>    |
| Internal control over financial reporting:            |                      |
| Material weakness identified?                         | <u>No</u>            |
| Significant deficiency identified?                    | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u>            |

**FEDERAL AWARDS**

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

| <u>CFDA Numbers</u>           | <u>Name of Federal Program or Cluster</u> |
|-------------------------------|---|
| <u>10.553, 10.555, 10.559</u> | <u>Child Nutrition Cluster</u>            |

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

**STATE AWARDS**

|  |                   |
|--|-------------------|
| Type of auditor's report issued on compliance for programs | <u>Unmodified</u> |
|--|-------------------|

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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None reported.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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None reported.

**WASHINGTON UNIFIED SCHOOL DISTRICT**

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

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None reported.

# WASHINGTON UNIFIED SCHOOL DISTRICT

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

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

### *State Awards Findings and Questioned Costs*

**2015-001      61000**

#### *Classroom Teacher Salaries*

##### **Criteria**

*Education Code* Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 55 percent (for unified districts) of total expenditures of the District.

##### **Condition**

The District spent 51.22 percent of their current expense of education (\$26,845,603) on classroom teacher salaries and benefits.

##### **Questioned Costs**

The deficiency was calculated to be \$1,014,764.

##### **Effect**

The deficiency amount was determined to be \$1,014,764; therefore, the District is out of compliance with *Education Code* Section 41372.

##### **Recommendation**

We recommend the District continue to work on this requirement and apply for a waiver of the requirement from the Fresno County Office of Education.

##### **Current Status**

Implemented.