

WISEBURN UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2016



San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION
associates

**WISEBURN UNIFIED SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Wiseburn Unified School District
Hawthorne, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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State Board of Accountancy*

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wiseburn Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of Wiseburn 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 Wiseburn Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

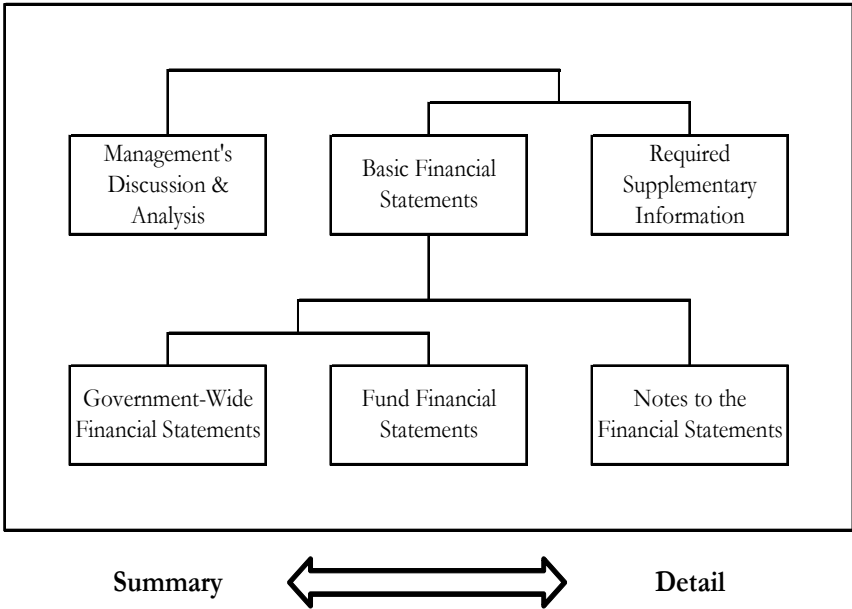
Our discussion and analysis of Wiseburn Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position was \$23,722,797 for governmental activities and (\$841,657) for business-type activities. This was an increase of \$2,111,314 from the prior year for governmental activities prior to restatement and a decrease of (\$1,087,082) from the prior year for business-type activities.
- For governmental activities, overall expenses were \$41,102,966, which was exceeded by overall revenues of \$42,133,854.
- The District accounts for the Wiseburn Child Development Center within business-type activities. Overall expenses for business-type activities were \$1,847,313, which exceeded total revenues of \$1,840,657.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

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

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

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$22,881,140 at June 30, 2016, as reflected separately among governmental and business-type activities in Table A-1 below. Of this amount, negative \$42,815,593 was unrestricted for governmental activities and \$841,657 was negative for business-type activities. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

Major changes in financial position were noted below in capital assets and liability balances as well as net investment in capital assets. Increases in the capital asset balance are attributed to architect fees and professional legal and consulting fees associated with the planning of the Wiseburn High School Project as well as modernization at Burnett Elementary School. The District recognized its share of the State's net pension liability, which has increased the liabilities balance.

**Table A-1
Wiseburn Unified School District's Net Position**

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
ASSETS						
Current and other assets	\$ 72,919,307	\$ 89,020,320	\$ (16,101,013)	\$ 593,408	\$ 505,097	\$ 88,311
Capital assets	155,974,768	134,217,436	21,757,332	-	-	-
Total Assets	228,894,075	223,237,756	5,656,319	593,408	505,097	88,311
DEFERRED OUTFLOWS OF RESOURCES	12,176,851	4,253,473	7,923,378	209,028	-	209,028
LIABILITIES						
Current liabilities	15,553,267	12,236,438	3,316,829	338,601	259,672	78,929
Long-term liabilities	199,735,071	189,152,680	10,582,391	1,191,367	-	1,191,367
Total Liabilities	215,288,338	201,389,118	13,899,220	1,529,968	259,672	1,270,296
DEFERRED INFLOWS OF RESOURCES	2,059,791	4,490,628	(2,430,837)	114,125	-	114,125
NET POSITION						
Net investment in capital assets	56,439,509	28,378,128	28,061,381	-	-	-
Restricted	10,098,881	26,639,587	(16,540,706)	-	-	-
Unrestricted	(42,815,593)	(33,406,232)	(9,409,361)	(841,657)	245,425	(1,087,082)
Total Net Position	\$ 23,722,797	\$ 21,611,483	\$ 2,111,314	\$ (841,657)	\$ 245,425	\$ (1,087,082)

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table A-2 below presents the information from the Statement and rearranges the categories slightly, so you can see our total revenues, expenses, and special items for the year.

As shown separately among governmental and business-type activities in Table A-2 below, the District's total revenues were \$43,974,511. The majority of District revenues are from local control funding formula state aid and property taxes (76%). Program revenues from grants and contributions were approximately 6% of the District's total revenues and charges for services were 4%. Miscellaneous local sources accounted for the remaining 14%.

**Table A-2
Changes in Wiseburn Unified School District's Net Position**

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
REVENUES						
Program revenues						
Charges for services	\$ -	\$ -	\$ -	\$ 1,805,290	\$ 1,603,817	\$ 201,473
Operating grants and contributions	2,649,644	2,554,323	95,321	-	-	-
Capital grants and contributions	-	24,196,639	(24,196,639)	-	-	-
General revenues						
Property taxes	19,248,375	16,375,504	2,872,871	-	-	-
Unrestricted federal and state aid	13,994,069	14,193,456	(199,387)	-	-	-
Other	6,241,766	4,359,193	1,882,573	35,367	10,435	24,932
Total Revenues	42,133,854	61,679,115	(19,545,261)	1,840,657	1,614,252	226,405
EXPENSES						
Instruction	16,599,079	14,996,491	1,602,588	-	-	-
Instruction-related services	3,251,468	2,577,501	673,967	-	-	-
Pupil services	4,079,514	3,009,036	1,070,478	-	-	-
General administration	1,982,108	1,794,459	187,649	-	-	-
Plant services	2,087,717	1,942,732	144,985	-	-	-
Ancillary and community services	30,442	26,977	3,465	-	-	-
Debt service	9,944,730	8,594,211	1,350,519	-	-	-
Other Outgo	1,190,555	798,384	392,171	-	-	-
Depreciation	1,937,353	1,849,524	87,829	-	-	-
Other	-	-	-	1,847,313	1,508,776	338,537
Total Expenses	41,102,966	35,589,315	5,513,651	1,847,313	1,508,776	338,537
Transfers & special items	100,000	100,000	-	(100,000)	(100,000)	-
Change in net position	1,130,888	26,189,800	(25,058,912)	(106,656)	5,476	(112,132)
Net Position - Beginning*	22,591,909	(4,578,317)	27,170,226	(735,001)	239,949	(974,950)
Net Position - Ending	\$ 23,722,797	\$ 21,611,483	\$ 2,111,314	\$ (841,657)	\$ 245,425	\$ (1,087,082)

* Beginning Net Position was restated for the 2015 and 2016 years

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all programs and services was \$42,950,279, as shown separately among governmental and business-type activities in Table A-2 on the previous page. The District's expenses are predominately related to educating and caring for students (46%). The costs associated with debt services, such as interest on long-term liabilities, accounted for 23%. Pupil services (including transportation and food) account for 9% of total expenses. Administrative activities accounted for another 5% of total expenses. Plant services, which represent the facilities maintenance and operations costs, account for 5% of the District's total expenses. The remaining expenses were for enterprise activities, ancillary, and community services, and other outgo (12%).

The cost of all our governmental activities this year was \$41,102,966. The net cost of those services was \$38,453,322. The cost paid by other governments and organizations who subsidized certain programs with grants and contributions was \$2,649,644.

**Table A-3
Net Costs of Wiseburn Unified School District's Governmental Activities**

	Net Cost of Services	
	2016	2015
Instruction	\$ 15,342,099	\$ (10,188,287)
Instruction-related services	3,040,705	2,381,517
Pupil services	3,215,453	1,931,967
General administration	1,967,472	1,781,849
Plant services	2,030,799	1,881,038
Ancillary and community services	30,324	26,977
Debt service	9,944,730	8,594,211
Transfers to other agencies	944,387	579,557
Depreciation	1,937,353	1,849,524
Total Expenses	\$ 38,453,322	\$ 8,838,353

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$63,613,294, which is less than last year's ending fund balance of \$77,861,680. The District's General Fund had \$1,842,145 more in operating revenues than expenditures for the year ended June 30, 2016. For the year ended June 30, 2016, the District's Bond Building Fund had \$3,983,911 less in operating revenues than expenditures. For the year ended June 30, 2016, the County School Facilities Fund had \$18,851,591 less in operating revenues than expenditures. The District's Bond Interest & Redemption Fund had \$1,464,828 more in operating revenues than expenditures for the year ended June 30, 2016.

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR BUDGET 2015-16

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16, the District had invested \$155,974,768 in capital assets, net of accumulated depreciation. Capital assets for governmental activities included land improvements, buildings, and as well as non-depreciable assets such as land and construction in progress (see Table A-4 below). There were no capital assets for business-type activities as of June 30, 2016. Total depreciation expense for the year was \$1,937,353.

**Table A-4
Wiseburn Unified School District's Capital Assets**

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Land	\$ 27,335,988	\$ 27,335,988	\$ -
Construction in progress	50,458,639	29,044,733	21,413,906
Land improvements	5,141,268	3,158,640	1,982,628
Buildings & improvements	92,606,697	92,606,697	-
Furniture & equipment	1,490,724	1,192,573	298,151
Accumulated depreciation	(21,058,548)	(19,121,195)	(1,937,353)
Total Capital Assets	\$155,974,768	\$134,217,436	\$ 21,757,332

Other Long-Term Assets

In addition to capital assets, the District had a long-term asset consisting of a long-term note receivable of \$4,912,500 that was repaid during the fiscal year ending June 30, 2016. During 2012-13, the District sold property and assumed the long-term note receivable in the form of a promissory note for the full \$4,912,500.

The District also holds a long-term asset attributed to the District's Postemployment Benefits Other Than Pensions (OPEB) plan. Normally the cost to fund an OPEB plan results in a net OPEB obligation (liability); however, each year, the District has opted to contribute to the plan more than the annual required contribution resulting in a net OPEB asset of \$346,544.

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of 2015-16, the District had \$200,926,438 in long-term debt as shown separately among governmental and business-type activities in Table A-5 below. This was an increase of 6% from last year that is mainly attributed to the net pension liability. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5
Wiseburn Unified School District's Long-Term Debt**

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$183,915,694	\$176,830,757	\$ 7,084,937	\$ -	\$ -	\$ -
Compensated absences	164,991	125,556	39,435	-	-	-
Net pension liability	21,057,109	16,941,533	4,115,576	1,191,367	-	1,191,367
Less: current portion of long-term debt	(5,402,723)	(4,745,166)	(657,557)	-	-	-
Total Long-term Liabilities	\$199,735,071	\$189,152,680	\$ 10,582,391	\$ 1,191,367	\$ -	\$ 1,191,367

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

**WISEBURN UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's business office at (310) 643-3025 or 13530 Aviation Boulevard; Hawthorne, CA 90250.

WISEBURN UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and investments	\$ 71,357,096	\$ 592,237	\$ 71,949,333
Accounts receivable	1,187,155	1,171	1,188,326
Inventory	28,512	-	28,512
Net OPEB asset	346,544	-	346,544
Capital assets, not depreciated	77,794,627	-	77,794,627
Capital assets, net of accumulated depreciation	78,180,141	-	78,180,141
Total Assets	228,894,075	593,408	229,487,483
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	4,684,219	209,028	4,893,247
Deferred amount on refunding	7,492,632	-	7,492,632
Total Deferred Outflows of Resources	12,176,851	209,028	12,385,879
LIABILITIES			
Accrued liabilities	10,150,544	129,520	10,280,064
Unearned revenue	-	209,081	209,081
Long-term liabilities, current portion	5,402,723	-	5,402,723
Long-term liabilities, non-current portion	199,735,071	1,191,367	200,926,438
Total Liabilities	215,288,338	1,529,968	216,818,306
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,059,791	114,125	2,173,916
Total Deferred Inflows of Resources	2,059,791	114,125	2,173,916
NET POSITION			
Net investment in capital assets	56,439,509	-	56,439,509
Restricted:			
Capital projects	1,482,380	-	1,482,380
Debt service	7,920,558	-	7,920,558
Educational programs	530,378	-	530,378
Food service program	165,565	-	165,565
Unrestricted	(42,815,593)	(841,657)	(43,657,250)
Total Net Position	\$ 23,722,797	\$ (841,657)	\$ 22,881,140

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

WISEBURN UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 16,599,079	\$ -	\$ 1,256,980	\$ (15,342,099)		
Instruction-related services						
Instructional supervision and administration	1,221,329	-	199,049	(1,022,280)		
Instructional library, media, and technology	527,432	-	4,044	(523,388)		
School site administration	1,502,707	-	7,670	(1,495,037)		
Pupil services						
Home-to-school transportation	100,092	-	10,629	(89,463)		
Food services	780,894	-	420,592	(360,302)		
All other pupil services	3,198,528	-	432,840	(2,765,688)		
General administration						
Centralized data processing	111,319	-	369	(110,950)		
All other general administration	1,870,789	-	14,267	(1,856,522)		
Plant services	2,087,717	-	56,918	(2,030,799)		
Ancillary services	17,788	-	118	(17,670)		
Community services	12,654	-	-	(12,654)		
Enterprise activities	-	-	-	-		
Interest on long-term debt	9,944,730	-	-	(9,944,730)		
Other Outgo	1,190,555	-	246,168	(944,387)		
Depreciation (unallocated)	1,937,353	-	-	(1,937,353)		
Total Governmental Activities	\$ 41,102,966	\$ -	\$ 2,649,644	(38,453,322)		
BUSINESS-TYPE ACTIVITIES						
Enterprise activities	1,847,313	1,805,290	-		(42,023)	
Total Business-Type Activities	1,847,313	1,805,290	-		(42,023)	
Total School District	\$ 42,950,279	\$ 1,805,290	\$ 2,649,644			\$ (38,495,345)
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes				6,235,136	-	6,235,136
Property taxes, levied for debt service				10,825,971	-	10,825,971
Property taxes, levied for other specific purposes				2,187,268	-	2,187,268
Federal and state aid not restricted for specific purposes				13,994,069	-	13,994,069
Interest and investment earnings				746,817	3,169	749,986
Miscellaneous				5,494,949	32,198	5,527,147
Subtotal, General Revenue				39,484,210	35,367	39,519,577
Change in net position before transfers & special items				1,030,888	(6,656)	1,024,232
Internal transfers				100,000	(100,000)	-
Total Transfers & Special Items				100,000	(100,000)	-
CHANGE IN NET POSITION				1,130,888	(106,656)	1,024,232
Net Position - Beginning, restated				22,591,909	(735,001)	21,856,908
Net Position - Ending				\$ 23,722,797	\$ (841,657)	\$ 22,881,140

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

**WISEBURN UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

			Bond Interest		Non-Major		Total	
			County School & Redemption		Governmental		Governmental	
	General Fund	Building Fund	Facilities Fund	Fund	Funds	Funds	Funds	
ASSETS								
Cash and investments	\$ 11,877,750	\$ 45,353,767	\$ 3,990,918	\$ 9,111,633	\$ 1,023,028			\$ 71,357,096
Accounts receivable	983,282	138,238	30,467	-	35,168			1,187,155
Stores inventory	28,512	-	-	-	-			28,512
Total Assets	\$ 12,889,544	\$ 45,492,005	\$ 4,021,385	\$ 9,111,633	\$ 1,058,196			\$ 72,572,763
LIABILITIES								
Accrued liabilities	\$ 5,106,577	\$ 421,256	\$ 3,358,163	\$ -	\$ 73,473			\$ 8,959,469
Total Liabilities	5,106,577	421,256	3,358,163	-	73,473			8,959,469
FUND BALANCES								
Nonspendable	36,465	-	-	-	-	-	-	36,465
Restricted	530,378	45,070,749	663,222	9,111,633	984,723			56,360,705
Assigned	4,808,634	-	-	-	-			4,808,634
Unassigned	2,407,490	-	-	-	-			2,407,490
Total Fund Balances	7,782,967	45,070,749	663,222	9,111,633	984,723			63,613,294
Total Liabilities and Fund Balances	\$ 12,889,544	\$ 45,492,005	\$ 4,021,385	\$ 9,111,633	\$ 1,058,196			\$ 72,572,763

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

WISEBURN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds \$ 63,613,294

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

Capital assets:

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

Capital assets	\$ 177,033,316	
Accumulated depreciation	<u>(21,058,548)</u>	155,974,768

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

7,492,632

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(1,191,075)

Long-term assets:

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

346,544

Long-term liabilities:

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

Total general obligation bonds	\$ 183,915,694	
Compensated absences	164,991	
Net pension liability	<u>21,057,109</u>	(205,137,794)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 4,684,219	
Deferred inflows of resources related to pensions	<u>(2,059,791)</u>	2,624,428

Total Net Position - Governmental Activities \$ 23,722,797

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

WISEBURN UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCCF sources	\$ 19,156,078	\$ -	\$ -	\$ -	\$ -	\$ 19,156,078
Federal sources	815,409	-	-	-	446,228	1,261,637
Other state sources	3,793,340	-	-	25,035	31,142	3,849,517
Other local sources	5,831,061	532,487	107,621	10,841,329	578,336	17,890,834
Total Revenues	29,595,888	532,487	107,621	10,866,364	1,055,706	42,158,066
EXPENDITURES						
Current						
Instruction	16,494,357	-	-	-	-	16,494,357
Instruction-related services						
Instructional supervision and administration	1,199,811	-	-	-	-	1,199,811
Instructional library, media, and technology	511,203	-	-	-	-	511,203
School site administration	1,457,723	-	-	-	-	1,457,723
Pupil services						
Home-to-school transportation	100,092	-	-	-	-	100,092
Food services	274	-	-	-	774,092	774,366
All other pupil services	3,161,634	-	-	-	-	3,161,634
General administration						
Centralized data processing	110,569	-	-	-	-	110,569
All other general administration	1,711,414	-	-	-	-	1,711,414
Plant services	1,991,920	33,079	-	-	56,918	2,081,917
Facilities acquisition and maintenance	60,493	4,483,319	18,959,212	-	83,641	23,586,665
Ancillary services	17,629	-	-	-	-	17,629
Community services	12,357	-	-	-	-	12,357
Transfers to other agencies	924,267	-	-	-	-	924,267
Debt service						
Principal	-	-	-	4,171,614	-	4,171,614
Interest and other	-	-	-	5,229,922	-	5,229,922
Total Expenditures	27,753,743	4,516,398	18,959,212	9,401,536	914,651	61,545,540
Excess (Deficiency) of Revenues						
Over Expenditures	1,842,145	(3,983,911)	(18,851,591)	1,464,828	141,055	(19,387,474)
Other Financing Sources (Uses)						
Transfers in	100,000	-	-	-	-	100,000
Other sources	-	4,833,361	-	40,556,730	-	45,390,091
Other uses	-	-	-	(40,351,003)	-	(40,351,003)
Net Financing Sources (Uses)	100,000	4,833,361	-	205,727	-	5,139,088
NET CHANGE IN FUND BALANCE						
	1,942,145	849,450	(18,851,591)	1,670,555	141,055	(14,248,386)
Fund Balance - Beginning	5,840,822	44,221,299	19,514,813	7,441,078	843,668	77,861,680
Fund Balance - Ending	\$ 7,782,967	\$ 45,070,749	\$ 663,222	\$ 9,111,633	\$ 984,723	\$ 63,613,294

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

**WISEBURN 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**

Net Change in Fund Balances - Governmental Funds \$ (14,248,386)

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 23,694,685	
Depreciation expense:	<u>(1,937,353)</u>	21,757,332

Debt service:

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

Defeasance from refunding	\$ 33,385,000	
Principle payments on bonded debt	<u>4,171,614</u>	37,556,614

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities or decreases to assets. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

Proceeds from debt issuance	\$ 37,280,000	
Premium on debt issuance	3,276,730	
Principal payments on note receivable	<u>4,912,500</u>	(45,469,230)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

5,737,632

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

332,096

(Continued on following page)

**WISEBURN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2016**

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (5,046,904)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (39,435)

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: 68,505

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (479,419)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 962,083

Change in Net Position of Governmental Activities	\$ 1,130,888
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WISEBURN UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-Type Activities
	Wiseburn Child Development Center
ASSETS	
Current assets	
Cash and investments	\$ 592,237
Accounts receivable	1,171
Total Assets	593,408
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	209,028
Total Deferred Outflows of Resources	209,028
LIABILITIES	
Current liabilities	
Accrued liabilities	129,520
Unearned revenue	209,081
Total current liabilities	338,601
Non-current liabilities	1,191,367
Total Liabilities	1,529,968
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	114,125
Total Deferred Inflows of Resources	114,125
NET POSITION	
Unrestricted	(841,657)
Total Net Position	\$ (841,657)

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

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

	Business-Type Activities
	Wiseburn Child Development Center
OPERATING REVENUE	
Charges for services	\$ 1,805,219
Other local revenues	32,270
Total operating revenues	1,837,489
 OPERATING EXPENSE	
Salaries and benefits	1,721,057
Supplies and materials	91,895
Professional services	34,361
Total operating expenses	1,847,313
Operating income/(loss)	(9,824)
 NON-OPERATING REVENUES/(EXPENSES)	
Interest income	3,168
Transfers out	(100,000)
Total non-operating revenues/(expenses)	(96,832)
 CHANGE IN NET POSITION	(106,656)
Net Position - Beginning, as restated	(735,001)
Net Position - Ending	\$ (841,657)

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

**WISEBURN UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities
	Wiseburn Child Development Center
Cash flows from operating activities	
Cash received from user charges	\$ 1,904,192
Cash payments for payroll, insurance, and operating costs	(1,719,049)
Net cash provided by (used for) operating activities	<u>185,143</u>
Cash flows from non-capital financing activities	
Interfund transfers in (out)	(100,000)
Net cash provided by (used for) non-capital financing activities	<u>(100,000)</u>
Cash flows from investing activities	
Interest received	3,798
Net cash provided by (used for) investing activities	<u>3,798</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>88,941</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	503,296
End of year	<u>\$ 592,237</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (9,824)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in deferred outflows related to pensions	(28,645)
Increase (decrease) in accrued liabilities	12,226
Increase (decrease) in unearned revenue	66,703
Increase (decrease) in net pension liability	324,539
Increase (decrease) in deferred inflows related to pensions	(179,856)
Net cash provided by (used for) operating activities	<u>\$ 185,143</u>

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

WISEBURN UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u>	
	<u>Warrant/Pass- through Fund</u>	<u>Student Body Fund</u>
ASSETS		
Cash and investments	\$ -	\$ 39,104
Prepaid expenses	178,203	-
Total Assets	<u>\$ 178,203</u>	<u>\$ 39,104</u>
LIABILITIES		
Deficit cash	\$ 178,203	\$ -
Due to student groups	-	39,104
Total Liabilities	<u>\$ 178,203</u>	<u>\$ 39,104</u>

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Wiseburn Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

During a local election on November 5, 2013, Measure W was proposed by the Wiseburn School District and the District voters approved the formation of the Wiseburn Unified School District, whereas the District was reorganized to form a unified school district covering territory formerly covered by the Centinela Valley Union High School District. Following the unification, effective July 1, 2014, the Wiseburn School District began operation as the Wiseburn Unified School District.

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

B. Component Units

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

C. Other Related Entities

Education Foundation

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

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

C. Other Related Entities (*continued*)

Joint Power Authority (JPA)

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

D. Basis of Presentation

Government-Wide Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

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

D. Basis of Presentation (*continued*)

Fund Financial Statements (*continued*)

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

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

Major Governmental Funds

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

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) 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.*).

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

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

D. Basis of Presentation (*continued*)

Non-Major Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

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

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. **Basis of Accounting – Measurement Focus (continued)**

Revenues – Exchange and Non-Exchange Transactions (continued)

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

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

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

Investments

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

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

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

Inventories

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

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

Compensated Absences

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

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

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

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

Interfund Balances

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

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

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

Fund Balance

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

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

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

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

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

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

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Activity

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

H. Estimates

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

I. Budgetary Data

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

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

J. Property Tax

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New Accounting Pronouncements

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

Cash and cash equivalents at June 30, 2016 consisted of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>
Investment in county treasury *	\$ 71,334,596	\$ 582,237	\$ -
Cash on hand and in banks	15,000	10,000	39,104
Cash in revolving fund	7,500	-	-
Total cash and investments	\$ 71,357,096	\$ 592,237	\$ 39,104

*Investment in county treasury is shown net of deficit cash.

NOTE 2 – CASH AND INVESTMENTS (*continued*)

B. Policies and Practices

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

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

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

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$72,000,851 and an amortized book value of \$71,916,833 for governmental and business-type activities. The average weighted maturity for this pool is 608 days.

D. Credit Risk

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

E. General Authorizations

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

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

F. Custodial Credit Risk – Deposits

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value

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

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

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

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

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

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

	<u>Uncategorized</u>
Governmental activities	
Investment in county treasury	\$ 71,417,934
Business-type activities	
Investment in county treasury	582,917
Total fair market value of investments	<u>\$ 72,000,851</u>

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business-Type Activities
Federal Government						
Categorical aid	\$ 379,219	\$ -	\$ -	\$ 26,799	\$ 406,018	\$ -
State Government						
Apportionment	-	-	-	-	-	-
Categorical aid	161,032	-	-	2,247	163,279	-
Lottery	289,026	-	-	-	289,026	-
Local Government						
Other local sources	154,005	138,238	30,467	6,122	328,832	1,171
Total	\$ 983,282	\$ 138,238	\$ 30,467	\$ 35,168	\$ 1,187,155	\$ 1,171

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 27,335,988	\$ -	\$ -	\$ 27,335,988
Construction in progress	29,044,733	21,696,585	282,679	50,458,639
Total Capital Assets not Being Depreciated	56,380,721	21,696,585	282,679	77,794,627
Capital assets being depreciated				
Land improvements	3,158,640	1,982,628	-	5,141,268
Buildings & improvements	92,606,697	-	-	92,606,697
Furniture & equipment	1,192,573	298,151	-	1,490,724
Total Capital Assets Being Depreciated	96,957,910	2,280,779	-	99,238,689
Less Accumulated Depreciation				
Land improvements	1,231,299	197,648	-	1,428,947
Buildings & improvements	17,078,635	1,678,067	-	18,756,702
Furniture & equipment	811,261	61,638	-	872,899
Total Accumulated Depreciation	19,121,195	1,937,353	-	21,058,548
Governmental Activities				
Capital Assets, net	\$ 134,217,436	\$ 22,040,011	\$ 282,679	\$ 155,974,768

Total depreciation for the year ended June 30, 2016 amounted to \$1,937,353 and remains unallocated among any function or program within the Change in Net Position of Governmental Activities.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – LONG-TERM NOTE RECEIVABLE

On October 4, 2012, Wiseburn Unified School District sold property located at 2330 Utah Avenue in El Segundo, California for \$6,550,000, the historical cost of the land and building at the location, to FNL/Douglas Partners, LLC. Upon closing, the District received \$1,637,500 in funds and agreed to a promissory note secured by the deed of trust to the property for the remaining sale amount of \$4,912,500. The entire outstanding principal was due to the District on the maturity date of October 4, 2015, subject to a one year extension, which was required to be communicated to the District prior to the original maturity date. Installments of interest were payable in advance on October 4th of each year beginning in 2013 with an initial rate of 2.0%, subject to a one year extension at 4.0%, and a 5.0% interest rate upon any event of default. An extension was agreed upon and the note receivable was paid off in full in May 2016. As of June 30, 2016, there is no amount due to the District related to the note receivable.

NOTE 6 – ACCRUED LIABILITIES

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Business- Type Activities
Payroll	\$ 1,923,916	\$ 14,495	\$ -	\$ 24,358	\$ -	\$ 1,962,769	\$ 127,941
Construction	-	406,761	3,358,163	-	-	3,764,924	-
Vendors payable	3,287,263	-	-	49,115	-	3,336,378	1,579
Unmatured interest	-	-	-	-	1,191,075	1,191,075	-
Other liabilities	2,270	-	-	-	-	2,270	-
Total	\$ 5,213,449	\$ 421,256	\$ 3,358,163	\$ 73,473	\$ 1,191,075	\$ 10,257,416	\$ 129,520

NOTE 7 – UNEARNED REVENUE

There was no unearned revenue for governmental activities as of June 30, 2016.

Unearned revenue for business-type activities of \$209,081 consisted fully of prepaid tuition fees for childcare services from the Wiseburn Child Development Center.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

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

	Restated Balance			Balance June 30, 2016	Balance Due In One Year
	July 01, 2015	Additions	Deductions		
Governmental Activities					
General obligation bonds	\$ 143,306,445	\$ 37,280,000	\$ 37,556,614	\$ 143,029,831	\$ 5,124,083
Unamortized premium	6,754,162	3,276,730	962,083	9,068,809	278,640
Accreted interest	26,770,150	5,046,904	-	31,817,054	-
Total general obligation bonds	176,830,757	45,603,634	38,518,697	183,915,694	5,402,723
Compensated absences	125,556	39,435	-	164,991	-
Net pension liability	16,074,705	4,982,404	-	21,057,109	-
Total	\$ 193,031,018	\$ 50,625,473	\$ 38,518,697	\$ 205,137,794	\$ 5,402,723

A. General Obligation Bonds

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. The outstanding bonded debt of Wiseburn Unified School District at June 30, 2016 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2016
					Outstanding July 01, 2015	Additions	Deductions	
1997A	8/1/1997	8/1/2022	4.5 - 6.875%	\$ 10,996,021	\$ 1,998,295	\$ 111,415	\$ -	\$ 2,109,710
1999A	8/1/1999	8/1/2024	3.8 - 6.0%	3,103,182	3,671,625	638,616	112,338	4,197,903
2000A	11/15/2000	8/1/2025	3.75 - 5.25%	23,817,574	2,499,895	228,746	-	2,728,641
2001	11/14/2001	8/1/2026	3.75 - 5.25%	11,181,598	12,244,822	417,205	379,933	12,282,094
2005 Refunding	5/24/2005	8/1/2015	3.0 - 5.0%	26,715,000	2,040,000	-	2,040,000	-
2007A	8/23/2007	8/1/2032	4.0 - 5.0%	20,056,687	19,557,492	1,285,314	65,000	20,777,806
2008A	9/4/2008	8/1/2033	3.0 - 4.5%	12,540,713	15,602,977	634,089	4,230,000	12,007,066
2010A	12/29/2010	8/1/2025	5.75%	10,942,983	11,464,365	60,740	9,985,295	1,539,810
2011B	5/4/2011	8/1/2036	5.25 - 5.625%	33,440,410	37,852,576	1,319,788	19,524,048	19,648,316
2012C	12/27/2012	8/1/2038	3.0 - 5.0%	37,605,135	37,644,548	350,991	865,000	37,130,539
2013D	12/20/2013	8/1/2033	2.0 - 5.0%	5,325,000	5,325,000	-	100,000	5,225,000
2015A Refunding	2/25/2015	8/1/2026	2.0 - 5.0%	5,590,000	5,590,000	-	25,000	5,565,000
2015B Refunding	5/5/2015	8/1/2021	2.0 - 5.0%	14,585,000	14,585,000	-	230,000	14,355,000
2016 Refunding	5/31/2016	8/1/2041	2.0 - 5.0%	37,280,000	-	37,280,000	-	37,280,000
General obligation bonds					170,076,595	42,326,904	37,556,614	174,846,885
Unamortized bond premium					6,754,162	3,276,730	962,083	9,068,809
Total					\$ 176,830,757	\$ 45,603,634	\$ 38,518,697	\$ 183,915,694

Election of 1997

On March 4, 1997, the District voters authorized \$14.1 million in General Obligation Bonds under Measure W for the remodeling, new construction and renovations detailed in the facilities plan. On August 1, 1997, the District issued Series 1997A General Obligation Bonds in the amount of \$10,996,021. The issue consists of serial bonds with a stated interest rate ranging between 4.5% and 6.875% and fully maturing on August 1, 2022. At June 30, 2016, the principal balance outstanding was \$2,109,710, which includes \$1,313,689 of accreted interest on the capital appreciation bonds.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election of 1997 (continued)

On August 1, 1999, the District issued Series 1999A General Obligation Bonds in the amount of \$3,103,182. The issue consists of serial bonds with a stated interest rate ranging between 3.8% and 6.0% and fully maturing on August 1, 2024. At June 30, 2016, the principal balance outstanding was \$4,197,903 which includes \$2,788,987 of accreted interest on the capital appreciation bonds.

Election of 2000

On June 6, 2000, the District voters authorized \$35 million in General Obligation Bonds under Measure E for the remodeling, new construction and renovations detailed in the facilities plan. On November 15, 2000, the District issued 2000 Series A General Obligation Bonds in the amount of \$23,817,574. The issue consists of serial bonds with a stated interest rate ranging between 3.75% and 5.25% and fully maturing on August 1, 2025. At June 30, 2016, the principal balance outstanding was \$2,728,641, which includes \$1,976,067 of accreted interest on the capital appreciation bonds.

On November 14, 2001, the District issued Series 2001 General Obligation Bonds in the amount of \$11,181,598. The issue consists of serial bonds with a stated interest rate ranging between 3.75% and 5.25% and fully maturing on August 1, 2026. At June 30, 2016, the principal balance outstanding was \$12,282,094, which includes \$6,890,429 of accreted interest on the capital appreciation bonds.

2005 Refunding Bonds

On May 24, 2005, the District issued 2005 Series A General Obligation Bonds in the amount of \$26,715,000. The issue consists of serial bonds with a stated interest rate ranging between 3.0% and 5.0% and fully maturing on August 1, 2022. A portion of this bond was defeased during 2014-15 (refer to comments on Refunding 2015A & B). The bonds matured on August 1, 2015, at which time the remaining principal balance \$2,040,000 was paid.

Election of 2007

Under a special election on June 12, 2007, the District voters authorized \$32.6 million in General Obligation Bonds under Measure A to construct, acquire, and improve District facilities. On August 23, 2007, the District issued 2007 Series A General Obligation Bonds in the amount of \$20,056,687. The issue consists of serial bonds with a stated interest rate ranging between 4.0% and 5.0% and fully maturing on August 1, 2032. A portion of this bond was defeased during 2014-15 (refer to comments on Refunding 2015A & B). At June 30, 2016, the principal balance outstanding was \$20,777,806, which includes \$6,901,118 of accreted interest on the capital appreciation bonds.

On September 4, 2008, the District issued 2008 Series A General Obligation Bonds in the amount of \$12,540,713. The issue consists of serial bonds with a stated interest rate ranging between 3.0% and 4.5% and fully maturing on August 1, 2033. A portion of this bond was defeased during 2015-16 (refer to comments on Refunding 2016). At June 30, 2016, the principal balance outstanding was \$12,007,066, which includes \$3,931,353 of accreted interest on the capital appreciation bonds.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election of 2010

On November 2, 2010, the District voters authorized \$87 million in General Obligation Bonds under Measure AA to finance the construction and improvement of District facilities and to build a new high school. On December 29, 2010, the District issued 2010 Series A General Obligation Bonds in the amount of \$10,942,983. The issue consists of serial bonds with a stated interest rate of 5.75% and fully maturing on August 1, 2040. A portion of this bond was defeased during 2015-16 (refer to comments on Refunding 2016), which accelerated the maturity date to August 1, 2026. At June 30, 2016, the principal balance outstanding was \$1,539,810, which includes accreted interest of \$683,221.

On May 4, 2011, the District issued 2011 Series B General Obligation Bonds in the amount of \$33,440,410. The issue consists of serial bonds with a stated interest rate ranging between 5.25% and 5.625% and fully maturing on August 1, 2041. A portion of this bond was defeased during 2015-16 (refer to comments on Refunding 2016), which accelerated the maturity date to August 1, 2037. At June 30, 2016, the principal balance outstanding was \$19,648,316, which includes accreted interest of \$6,156,786.

On December 27, 2012, the District issued 2011 Series C General Obligation Bonds in the amount of \$37,605,135. The issue consists of serial bonds with a stated interest rate ranging between 3.0% and 5.0% and fully maturing on August 1, 2038. At June 30, 2016, the principal balance outstanding was \$37,130,539, which includes accreted interest of \$1,175,404.

On December 20, 2013, the District issued 2013 Series D General Obligation Bonds in the amount of \$5,325,000. The issue consists of serial bonds with a stated interest rate ranging between 2.0% and 5.0% and fully maturing on August 1, 2033. At June 30, 2016, the principal balance outstanding was the full \$5,225,000.

Refunding 2015A & B

On February 25, 2015, the District issued \$20,175,000 of 2015 Series A and Series B General Obligation Refunding Bonds with interest rates ranging from 2.0 % to 5.0%. The bonds were issued to refund portions of the District's outstanding bonded debt previously issued from the Refunding 2005 Bonds and Election 2007A general obligation bonds. The 2015 Series A and Series B Refunding Bonds fully mature on August 1, 2022. At June 30, 2016, the principal balance outstanding was \$19,920,000 with \$5,565,000 attributed to 2015A and \$14,355,000 attributed to 2015B. Also at June 30, 2016, there was a deferred outflow of resources for \$526,629 associated with this refunding.

Refunding 2016

On May 31, 2016, the District issued \$37,280,000 of 2016 General Obligation Refunding Bonds with interest rates ranging from 2.0 % to 5.0%. The bonds were issued to refund portions of the District's outstanding bonded debt previously issued from the 2008 Series A, 2010 Series A and 2011 Series B general obligation bonds. The 2016 Refunding Bonds fully mature on August 1, 2041. This refunding reduced total debt service payments by \$2,112,824 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,937,605. At June 30, 2016, the principal balance outstanding was the full \$37,280,000. Also at June 30, 2016, there was a deferred outflow of resources for \$6,966,003 associated with this refunding.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Future Payments on Bonded Debt

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,124,083	\$ 3,641,000	\$ 8,765,083
2018	5,040,105	4,836,789	9,876,894
2019	5,465,416	4,832,178	10,297,594
2020	5,906,038	4,778,905	10,684,943
2021	5,726,403	5,368,041	11,094,444
2022 - 2026	24,600,875	35,308,969	59,909,844
2027 - 2031	29,969,392	45,573,169	75,542,561
2032 - 2036	27,277,311	57,221,819	84,499,130
2037 - 2041	17,010,208	28,243,036	45,253,244
2042	16,910,000	507,300	17,417,300
Accretion	31,817,054	(31,817,054)	-
Total	\$ 174,846,885	\$ 158,494,152	\$ 333,341,037

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$164,991. This amount is included as part of long-term liabilities in the government-wide financial statements. Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

C. Net Pension Liability

The District's beginning net pension liability was restated as \$16,074,705 for governmental funds and increased by \$4,982,404 during the year ended June 30, 2016. The District's beginning net pension liability was restated as \$866,828 for business-type activities and increased by \$324,539 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$22,248,476 for the District, which includes \$21,057,109 attributed to governmental activities and \$1,191,367 for business-type activities. See Note 11 for additional information regarding the net pension liability.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – FUND BALANCES

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

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 7,953	\$ -	\$ -	\$ -	\$ -	\$ 7,953
Stores inventory	28,512	-	-	-	-	28,512
Total non-spendable	36,465	-	-	-	-	36,465
Restricted						
Educational programs	530,378	-	-	-	-	530,378
Capital projects	-	45,070,749	663,222	-	819,158	46,553,129
Food service program	-	-	-	9,111,633	-	9,111,633
All others	-	-	-	-	165,565	165,565
Total restricted	530,378	45,070,749	663,222	9,111,633	984,723	56,360,705
Assigned						
Postemployment benefits	2,541,688	-	-	-	-	2,541,688
Deferred maintenance	222,999	-	-	-	-	222,999
School site discretionary	302,233	-	-	-	-	302,233
Music account	3,003	-	-	-	-	3,003
Gym account	11,824	-	-	-	-	11,824
PLTW account	91,021	-	-	-	-	91,021
One time mandate funds	1,235,866	-	-	-	-	1,235,866
STRS future contributions set-aside	400,000	-	-	-	-	400,000
Total assigned	4,808,634	-	-	-	-	4,808,634
Unassigned						
Reserve for economic uncertainties	2,407,490	-	-	-	-	2,407,490
Total unassigned	2,407,490	-	-	-	-	2,407,490
Total	\$ 7,782,967	\$ 45,070,749	\$ 663,222	\$ 9,111,633	\$ 984,723	\$ 63,613,294

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance 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.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

As of the July 1, 2013 actuarial study, membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	57
Active plan members	19
Total	76
 Number of participating employers	 1

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who were hired before September 1, 1990 and who retire from the District on or after attaining age 55 with at least 15 years of service. The District provides lifetime medical benefits to eligible certificated and classified retirees at rate of \$4,052 per year. Eligible management and confidential retirees are provided a lifetime health care benefits subsidy for the retiree plus one medical and dental coverage up to the highest rate.

B. Funding Policy

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$314,741.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. 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.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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/(asset) to the Plan:

Annual required contribution	\$	240,132
Interest on net OPEB asset		(11,121)
Adjustment to annual required contribution		17,225
Annual OPEB cost (expense)		<u>246,236</u>
Contributions made		<u>(314,741)</u>
Increase (decrease) in net OPEB asset		(68,505)
Net OPEB asset, beginning of the year		<u>(278,039)</u>
Net OPEB asset, end of the year	\$	<u>(346,544)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
2016	\$ 246,236	128%	\$ (346,544)
2015	\$ 237,758	128%	\$ (278,039)
2014	\$ 241,876	134%	\$ (211,697)

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 3,354,911	\$ 3,354,911	0%	\$ 1,464,026	229%

D. Funded Status and Funding Progress

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 financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. 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. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Level Dollar
Remaining Amortization Period	28
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	0.5%
Discount rate	5.0%
Health care trend rate	
Medical	8.0%
Dental	5.0%

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 17,736,055	\$ 3,299,150	\$ 1,742,151	\$ 1,674,257
PERS Pension	4,512,421	1,594,097	431,765	752,836
Total	<u>\$ 22,248,476</u>	<u>\$ 4,893,247</u>	<u>\$ 2,173,916</u>	<u>\$ 2,427,093</u>

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

- 1. CalSTRS 2% at 60:** Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
- 2. CalSTRS 2% at 62:** Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,494,563 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$750,706 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

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

District's proportionate share of the net pension liability	\$ 17,736,055
State's proportionate share of the net pension liability associated with the District	9,380,393
Total	<u>\$ 27,116,448</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.026 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2014.

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,674,257. In addition, the District recognized pension expense and revenue of \$726,494 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,445,777
Differences between expected and actual experience	-	296,374
Changes in proportion and differences between District contributions and proportionate share of contributions	1,804,587	-
District contributions subsequent to the measurement date	1,494,563	-
	<u>\$ 3,299,150</u>	<u>\$ 1,742,151</u>

The \$1,494,563 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 300,765	\$ 410,840
2018	300,765	410,840
2019	300,765	410,840
2020	300,765	410,840
2021	300,765	49,396
2022	300,762	49,395
	<u>\$ 1,804,587</u>	<u>\$ 1,742,151</u>

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions

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

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

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

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

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

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

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

* 10-year geometric average

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Discount rate

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	\$ 26,780,062	\$ 17,736,055	\$ 10,219,755

Pension plan fiduciary net position

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

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$337,073 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$4,512,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.031 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$752,836. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 154,509
Differences between expected and actual experience	257,892	-
Changes in assumptions	-	277,256
Changes in proportion and differences between District contributions and proportionate share of contributions	999,132	-
District contributions subsequent to the measurement date	337,073	-
	<u>\$ 1,594,097</u>	<u>\$ 431,765</u>

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

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

The \$337,073 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 424,255	\$ 134,233
2018	424,255	134,233
2019	408,514	124,672
2020	-	38,627
	<u>\$ 1,257,024</u>	<u>\$ 431,765</u>

Actuarial assumptions

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

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

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

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

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

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

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

* An expected inflation of 2.5% used for this period

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

Discount rate

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

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District’s proportionate share of the net pension liability	\$ 7,344,341	\$ 4,512,421	\$ 2,157,490

Pension plan fiduciary net position

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Construction Commitments

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

	Remaining Construction Commitment
Capital Projects	
Soft Costs Phase I	\$ 2,423,455
Hard Construction Phase I	36,033,806
Soft Costs Phase II	324,094
Total	<u>\$ 38,781,355</u>

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

- Property and Liability Insurance – Alliance of Schools Cooperative Insurance Program (ASCIP), which arranges for and provides liability and property insurance for its member districts. The district pays premiums commensurate with the level of coverage requested through ASCIP.
- Workers’ Compensation Insurance – Protected Insurance Program for Schools (PIPS), which investigates, defends and/or settles, and administrates Workers’ Compensation claims. The district pays premiums based on their respective experience rating.
- Employee Benefits – Self-Insurance Risk Management Authority III (SIRMA III), which provides the capability of self-insuring for dental, vision benefits and other employee benefit protection plans.
- Parcel Tax Revenue – After the passage of Measure CL in the November 2012 election, the District joined with four other school districts in the impacted area to create a joint powers authority under the Local Classroom Funding Authority.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2016, the deferred amount on refunding was \$7,492,632.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of governmental and business-type activities have been restated in order to record the District’s business-type activities proportionate share of the net pension liability and deferred outflows and inflows of resources related to pensions in accordance with GASB Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The effect on beginning net position is presented as follows.

	Governmental	Business-Type
	Activities	Activities
Net Position - Beginning, as Previously Reported	\$ 21,611,483	\$ 245,425
Restatement	980,426	(980,426)
Net Position - Beginning, as Restated	<u>\$ 22,591,909</u>	<u>\$ (735,001)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WISEBURN UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 19,186,616	\$ 19,169,000	\$ 19,156,078	\$ (12,922)
Federal sources	719,500	836,000	815,409	(20,591)
Other state sources	2,941,000	2,890,000	3,042,633	152,633
Other local sources	3,168,030	5,107,500	5,532,996	425,496
Total Revenues	26,015,146	28,002,500	28,547,116	544,616
EXPENDITURES				
Certificated salaries	12,219,000	13,307,500	13,318,596	(11,096)
Classified salaries	3,593,115	3,817,500	3,759,269	58,231
Employee benefits	3,602,000	3,936,000	3,961,710	(25,710)
Books and supplies	1,354,000	1,461,200	1,441,224	19,976
Services and other operating expenditures	2,506,000	2,915,800	3,498,010	(582,210)
Capital outlay	25,000	31,500	22,957	8,543
Other outgo				
Excluding transfers of indirect costs	792,500	908,000	924,267	(16,267)
Total Expenditures	24,091,615	26,377,500	26,926,033	(548,533)
Excess (Deficiency) of Revenues				
Over Expenditures	1,923,531	1,625,000	1,621,083	(3,917)
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	(100,000)	(100,000)
Net Financing Sources (Uses)	100,000	100,000	-	(100,000)
NET CHANGE IN FUND BALANCE	2,023,531	1,725,000	1,621,083	(103,917)
Fund Balance - Beginning	2,901,527	2,901,527	2,901,527	-
Fund Balance - Ending	\$ 4,925,058	\$ 4,626,527	\$ 4,522,610	\$ (103,917)

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

- On behalf payments of \$750,707 for CalSTRS are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Revenue Fund for Other Than Capital Outlay Projects, and Special Revenue Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 3,354,911	\$ 3,354,911	0%	\$ 1,464,026	229%
July 1, 2010	\$ -	\$ 4,582,157	\$ 4,582,157	0%	\$ 1,705,406	269%
July 1, 2008	\$ -	\$ 4,822,030	\$ 4,822,030	0%	\$ 2,074,607	232%

See accompanying note to required supplementary information.

WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.026%	0.023%
District's proportionate share of the net pension liability	\$ 17,736,055	\$ 13,667,116
States's proportionate share of the net pension liability associated with the District	9,380,393	8,252,795
Total	<u>\$ 27,116,448</u>	<u>\$ 21,919,911</u>
District's covered-employee payroll	\$ 13,565,918	\$ 11,635,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.7%	117.5%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.031%	0.029%
District's proportionate share of the net pension liability	\$ 4,512,421	\$ 3,274,417
District's covered-employee payroll	\$ 5,509,114	\$ 3,379,739
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.9%	96.9%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,494,563	\$ 1,033,255
Contributions in relation to the contractually required contribution*	(1,494,563)	(1,033,255)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,565,918	\$ 11,635,754
Contributions as a percentage of covered-employee payroll	11.02%	8.88%

*Amounts do not include on behalf contributions

See accompanying note to required supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 337,073	\$ 397,829
Contributions in relation to the contractually required contribution	(337,073)	(397,829)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,509,114	\$ 3,379,739
Contributions as a percentage of covered-employee payroll	6.12%	11.77%

See accompanying note to required supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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

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

Schedule of District Contributions

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

**WISEBURN UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred amounts in excess of expenditures over appropriations in the General Fund as presented in the Budgetary Comparison Schedule for the major object codes noted below:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 13,307,500	\$ 13,318,596	\$ 11,096
Employee benefits	\$ 3,936,000	\$ 3,961,710	\$ 25,710
Services and other operating expenditures	\$ 2,915,800	\$ 3,498,010	\$ 582,210
Other outgo			
Excluding transfers of indirect costs	\$ 908,000	\$ 924,267	\$ 16,267

**SUPPLEMENTARY
INFORMATION**

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low -Income and Neglected	84.010	14329	\$ 139,479
Title II, Part A, Teacher Quality	84.367	14341	32,308
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	30,222
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	271,046
Part B, Preschool Grants	84.173	13430	31,657
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	64,752
IDEA: Preschool Staff Development, Part B	84.173A	13431	152
Alternative Dispute Resolution, Part B, Sec 611	84.173A	13007	3,983
Subtotal Special Education Cluster			<u>371,590</u>
IDEA Early Intervention Grants	84.181	23761	226,304
Special Education: State Improvement Grant, Improving Special Ed Systems	84.323	14913	5,823
Total U. S. Department of Education			<u>805,726</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	446,228
Total U. S. Department of Agriculture			<u>446,228</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Administrative Activities	93.778	10060	9,683
Subtotal Medicaid			<u>9,683</u>
Total U. S. Department of Health & Human Services			<u>9,683</u>
Total Federal Expenditures			<u>\$ 1,261,637</u>

* - Pass-Through Entity Identifying Number not available or not applicable

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	980.34	980.08
Extended Year Special Education	2.37	2.37
Total TK/K through Third	982.71	982.45
Fourth through Sixth		
Regular ADA	801.43	801.17
Extended Year Special Education	1.07	1.07
Special Education - Nonpublic Schools	0.47	0.59
Extended Year Special Education - Nonpublic Schools	0.11	0.11
Total Fourth through Sixth	803.08	802.94
Seventh through Eighth		
Regular ADA	644.52	643.93
Extended Year Special Education	0.69	0.69
Special Education - Nonpublic Schools	0.98	0.98
Extended Year Special Education - Nonpublic Schools	0.11	0.11
Total Seventh through Eighth	646.30	645.71
Ninth through Twelfth		
Special Education - Nonpublic Schools	0.99	0.99
Extended Year Special Education - Nonpublic Schools	0.11	0.11
Total Ninth through Twelfth	1.10	1.10
TOTAL SCHOOL DISTRICT	2,433.19	2,432.20

See accompanying note to supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16		Status
		Actual Minutes	Number of Days	
Kindergarten	36,000	41,420	180	Complied
Grade 1	50,400	50,875	180	Complied
Grade 2	50,400	50,875	180	Complied
Grade 3	50,400	53,775	180	Complied
Grade 4	54,000	54,140	180	Complied
Grade 5	54,000	54,140	180	Complied
Grade 6	54,000	55,380	180	Complied
Grade 7	54,000	55,380	180	Complied
Grade 8	54,000	55,380	180	Complied

See accompanying note to supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2017 (Budget)</u>	<u>2016</u>	<u>2015</u>	<u>2014***</u>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 25,188,500	\$ 28,647,116	\$ 27,575,928	\$ 20,509,105
Expenditures And Other Financing Uses	24,853,650	27,026,033	24,674,402	20,432,202
Net change in Fund Balance	<u>\$ 334,850</u>	<u>\$ 1,621,083</u>	<u>\$ 2,901,526</u>	<u>\$ 76,903</u>
Ending Fund Balance	<u>\$ 4,961,377</u>	<u>\$ 4,522,610</u>	<u>\$ 2,901,526</u>	<u>\$ 2,032,855</u>
Available Reserves*	<u>\$ 1,941,868</u>	<u>\$ 2,407,490</u>	<u>\$ 2,022,964</u>	<u>\$ 1,778,080</u>
Available Reserves As A Percentage Of Outgo	<u>7.81%</u>	<u>8.91%</u>	<u>8.20%</u>	<u>8.70%</u>
Long-term Debt	<u>\$ 199,735,071</u>	<u>\$ 205,137,794</u>	<u>\$ 193,897,846</u>	<u>\$ 175,242,307</u>
Average Daily Attendance At P-2	<u>2,419</u>	<u>2,433</u>	<u>2,508</u>	<u>2,461</u>

The General Fund balance has increased by \$2,489,755 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$334,850. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$29,895,487 over the past two years.

Average daily attendance has decreased by 28 ADA over the past two years. A further decrease of 14 ADA is anticipated during the 2016-17 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other than Capital Outlay Projects

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other than Capital Outlay Projects, and Special Reserve Fund for Postemployment Benefits Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54. CalSTRS on behalf payments of \$750,707 are not included in the actual revenues and expenditures reported in this schedule.

***As a result of the unification effective July 1, 2014 described in Note 1A of the notes to the financial statements, the 2014 financial data was reported under Wiseburn Elementary (19-65169). Current and future data is and will be under the Wiseburn Unified School District (19-76869). Additionally, Wiseburn Elementary's ending fund balance was reflected as other sources to Wiseburn Unified rather than beginning fund balance in 2015.

See accompanying note to supplementary information.

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

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits	Wiseburn Child Development Center
June 30, 2016, annual financial and budget report fund balance	\$ 4,522,609	\$ 222,999	\$ 495,671	\$ 2,541,688	\$ 254,807
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	3,260,358	(222,999)	(495,671)	(2,541,688)	-
Deferred outflows of resources related to pensions	-	-	-	-	209,028
Net pension liability	-	-	-	-	(1,191,367)
Deferred inflows of resources related to pensions	-	-	-	-	(114,125)
Net adjustments and reclassifications	3,260,358	(222,999)	(495,671)	(2,541,688)	(1,096,464)
June 30, 2016, audited financial statement fund balance	\$ 7,782,967	\$ -	\$ -	\$ -	\$ (841,657)

See accompanying note to supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

Charter School	Status	Included in Audit Report
Da Vinci Communications High	Active	No
Da Vinci Design	Active	No
Da Vinci Innovation Academy	Active	No
Da Vinci Science	Active	No

See accompanying note to supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
SCHEDULE OF BOND EXPENDITURES – MEASURE A AND MEASURE AA
FOR THE YEAR ENDED JUNE 30, 2016**

Measure A Bond Projects	2015-16 Expenditures
Anza Elementary School	
Artificial turf/parking lot/fencing	\$ 1,681,695
Legal and bond fees	8,180
Total Measure A Expenditures	\$ 1,689,875

Measure AA Bond Projects	2015-16 Expenditures
Wiseburn High School	
Architect fees	\$ 1,507,584
Professional consulting and testing fees	653,467
Site fees	208,347
Employee salaries and benefits	193,807
Legal and bond fees	156,482
Other contracted services	62,256
Property insurance	24,150
Utilities and communications	19,680
Total Measure AA Expenditures	\$ 2,825,773

See accompanying note to supplementary information.

**WISEBURN UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

Wiseburn School District was established in 1896 and became unified and is known as the Wiseburn Unified School District after it was approved for unification beginning July 1, 2014. The District is comprised of an area approximately 6½ square miles located in Los Angeles County, California. The boundaries are in the city limits of Hawthorne, El Segundo, and a portion of the unincorporated area of Los Angeles County. No boundary changes were made during the current year. The District currently operates three elementary schools and one middle school as well as serving as the authorizing agency for four independent charter schools operated by Da Vinci Schools.

The Board of Education and the business office administrators for the fiscal year ended June 30, 2016 were as follows:

GOVERNING BOARD

Member	Office	Term Expires
Mr. Israel A. Mora	President	December 2017
Ms. JoAnne Kaneda	Vice President/Clerk	December 2019
Dr. Neil Goldman	Member	December 2019
Mr. Nelson Martinez	Member	December 2017
Mr. Roger Bañuelos	Member	December 2017

DISTRICT ADMINISTRATORS

Dr. Tom Johnstone,
Superintendent

Dr. Chris Jones
Deputy Superintendent

Mr. David Wilson,
Chief Business Official

WISEBURN UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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.

Schedule of Bond Expenditures – Measure A and Measure AA

This schedule provides a summary of Measure A and Measure AA expenditures by project subjected to auditing procedures performed in relation to the financial statements taken as a whole.

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Wiseburn Unified School District
Hawthorne, 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, business-type activities, each major fund, and the aggregate remaining fund information of Wiseburn Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wiseburn 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 Wiseburn 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 Wiseburn Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wiseburn 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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



San Diego, California
December 14, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Wiseburn Unified School District
Hawthorne, California

Report on Compliance for Each Major Federal Program

We have audited Wiseburn 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 Wiseburn Unified School District's major federal programs for the year ended June 30, 2016. Wiseburn 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 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 Wiseburn 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 Wiseburn 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 Wiseburn Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Wiseburn 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 Wiseburn 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 Wiseburn 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 Wiseburn 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.

Christy White Associates

San Diego, California
December 14, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Wiseburn Unified School District
Hawthorne, California

Report on State Compliance

We have audited Wiseburn Unified School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Wiseburn Unified School District's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wiseburn Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Wiseburn 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 with the requirements referred to above. However, our audit does not provide a legal determination of Wiseburn Unified School District's compliance with those requirements.

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Opinion on State Compliance

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes

(Continued on following page)

Procedures Performed (continued)

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

Procedures were not performed over the California Clean Energy Jobs Act because no funding was expended during the fiscal year ended June 30, 2016.

Christy White Associates

San Diego, California
December 14, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**WISEBURN UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</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

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

**WISEBURN UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no findings related to the financial statements in 2015-16.

WISEBURN UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no findings and questioned costs related to federal awards in 2015-16.

**WISEBURN UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no findings and questioned costs related to state awards in 2015-16.

**WISEBURN UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-1: ALLOCATION OF INDIRECT COSTS (30000)

Criteria: The United States Department of Education (ED) has approved a delegation agreement with the California Department of Education (CDE) that authorizes the CDE to establish indirect cost rates for California's local educational agencies (LEAs). The rates may be used, as appropriate, to budget, allocate, and recover indirect costs for federal programs, grants, and other assistance as well as for state programs, subject to any restrictions that may govern the individual programs. A school district may use an indirect cost rate not to exceed the CDE-approved rate.

Condition: In our testing of expenditures, we obtained the Indirect Cost Rates Charged to Programs (SACS Form ICR) and found the District was using indirect cost rates of 4.49 and 4.50%; however, the District's CDE-approved rate for 2014-15 was 2.95%. Resource codes affected by the increased ICR include federal and state special education programs allocated in programs under resource codes 3316, 3372, 3385, and 6515.

Cause: The District holds a memorandum of understanding (MOU) with the Southwest SELPA Superintendent's Council, approved March 11, 2011, which agrees to a 4.50% indirect cost rate from the District for providing administrative support, employing professional staff, and/or consultation on behalf of the SELPA.

Effect: District is not in compliance with charging of indirect costs and expenses were over allocated as follows:

Fund	Resource	Eligible Expenditures	Indirect Costs Charged	Rate Used	Indirect Costs Charged at Approved	
					ICR 2.95%	\$ Variance
01	3316	\$ 38,281.17	\$ 1,718.83	4.49%	\$ 1,129.29	\$ 589.54
01	3372	8,600.00	387.00	4.50%	253.70	133.30
01	3385	216,559.00	9,745.00	4.50%	6,388.49	3,356.51
01	6515	16,917.72	759.28	4.49%	499.07	260.21
		<u>\$ 280,357.89</u>	<u>\$ 12,610.11</u>		<u>\$ 8,270.56</u>	
Total over allocation:						\$ 4,339.55

**WISEBURN UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-1: ALLOCATION OF INDIRECT COSTS (30000) (continued)

District Response: The District feels that the Indirect Cost Rate was calculated correctly, based on a locally negotiated agreement between the SW SELPA and the District. Per the audit finding, the District holds a memorandum of understanding with the Southwest SELPA, which allows the District to charge a 4.50% indirect cost rate for the administrative support of the SW SELPA.

Furthermore, the District was also following guidelines provided by the Los Angeles County Office of Education (LACOE), per the Informational Bulletin that LACOE issues regarding specific grants. For example, Informational Bulletin #4144, dated June 24, 2015 (specific to Early Intervention Part C Grant – Resource 3385) states:

Allowable Indirect

Instead of the CDE-approved indirect rate of 7.75 percent, LACOE has agreed to maintain the 2.32 percent so that the district may claim the balance of 5.43 percent. The combined total of indirect claimed by both the county office and the district may not exceed 7.75 percent for these funds.

Due to the fact that the total over allocation is \$4,339.55, and considered immaterial, the District respectfully accepts this finding under protest. In the future, the District will not charge an indirect rate on these specific grants that is in excess of the established CDE approved rate.

Current Status: Implemented.