

**WEST SONOMA COUNTY  
UNION HIGH SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2015**

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
West Sonoma County Union High School District  
Sebastopol, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Sonoma County Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards, issued by the Comptroller General of the United States; and 2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Sonoma County Union High School District, as of June 30, 2015, 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.

## **Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 1 and 14 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and the General Fund - Budgetary Comparison Schedule, Schedule of Other Post Employment Benefits (OPEB) Funding Progress, net pension liability, and District contribution information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Sonoma County Union High School District's basic financial statements. The accompanying supplementary information such as the Combining and Individual Nonmajor Fund Financial Statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the West Sonoma County Union High 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 West Sonoma County Union High School District's internal control over financial reporting and compliance.

*Vaurinek, Tine, Day & Co LLP*

Pleasanton, California  
December 3, 2015



# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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

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

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

The Primary unit of the government is the West Sonoma County Union High School District.

### REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

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

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Position

The District's net position was \$(5.0) million for the fiscal year ended June 30, 2015. Of this amount, \$3.7 million was restricted and \$6.8 million was invested in capital assets. 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 those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities		
	2015	Restated 2014	Percent Change
<b>Assets</b>			
Cash	\$ 15,778,537	\$ 8,712,022	81.11%
Current and other assets	966,302	1,820,615	-46.92%
Capital assets	37,917,538	36,555,346	3.73%
Accumulated depreciation	(14,140,046)	(13,025,905)	8.55%
<b>Total Assets</b>	<b>40,522,331</b>	<b>34,062,078</b>	<b>18.97%</b>
<b>Deferred Outflows of Resources</b>			
Current year pension contributions	<b>1,104,286</b>	<b>1,003,367</b>	<b>100.00%</b>
<b>Liabilities</b>			
Current liabilities	1,514,453	2,398,568	-36.86%
Long-term obligations	41,202,345	35,387,360	16.43%
<b>Total Liabilities</b>	<b>42,716,798</b>	<b>37,785,928</b>	<b>13.05%</b>
<b>Deferred Inflows of Resources</b>			
Deferred charge on refunding	169,870	-	100.00%
Difference between projected and actual earnings	3,740,079	-	100.00%
<b>Total Liabilities</b>	<b>3,909,949</b>	<b>-</b>	<b>100.00%</b>
<b>Net Position</b>			
Net investment in capital assets	6,838,528	8,494,491	-19.49%
Restricted	3,729,869	3,565,342	4.61%
Unrestricted	(15,568,527)	(14,780,316)	5.33%
<b>Total Net Position</b>	<b>\$ (5,000,130)</b>	<b>\$ (2,720,483)</b>	<b>83.80%</b>

The 81 percent increase in cash is mainly due to proceeds from a \$8 million bond sale revenue. The 46% decrease in current and other assets reflects a decrease in accounts receivable for revenue from the State due to a reduction in state deferrals. The 36% decrease in current liabilities is mainly due to decreases in accounts payable for prior year adjustments in State revenues due to increased stability in property tax revenues. The increase in deferred outflows, deferred inflows, and decrease in net positions is primarily due to the implementation of a new accounting standard to recognize unfunded PERS and STRS pension obligations.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 18. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities		
	2015	2014	Percent Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1,756,033	\$ 1,329,629	32.07%
Operating grants and contributions	2,924,485	3,136,281	-6.75%
Capital grants and contributions	2,387	6,454	-63.02%
General revenues:			
Federal and State aid not restricted	7,433,848	7,205,568	3.17%
Property taxes	11,662,473	10,865,082	7.34%
Other general revenues	1,481,591	1,427,321	3.80%
<b>Total Revenues</b>	<b>25,260,817</b>	<b>23,970,335</b>	<b>5.38%</b>
<b>Expenses</b>			
Instruction	17,152,151	15,003,787	14.32%
Instruction-Related Services	1,710,436	1,556,155	9.91%
Pupil Services	2,930,475	2,951,708	-0.72%
General Administration	1,501,174	1,549,512	-3.12%
Plant Services	1,752,371	1,493,139	17.36%
Ancillary Services	385,814	355,523	8.52%
Interest on Long-Term Debt	1,650,852	928,676	77.76%
Other Outgo	457,191	620,942	-26.37%
<b>Total Expenses</b>	<b>27,540,464</b>	<b>24,459,442</b>	<b>12.60%</b>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (2,279,647)</b>	<b>\$ (489,107)</b>	<b>366.08%</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was \$27.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11.6 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions was \$4.7 million. We paid for the remaining "public benefit" portion of our governmental activities with \$7.4 million in Federal and State funds, and with other revenues, like interest and general entitlements.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

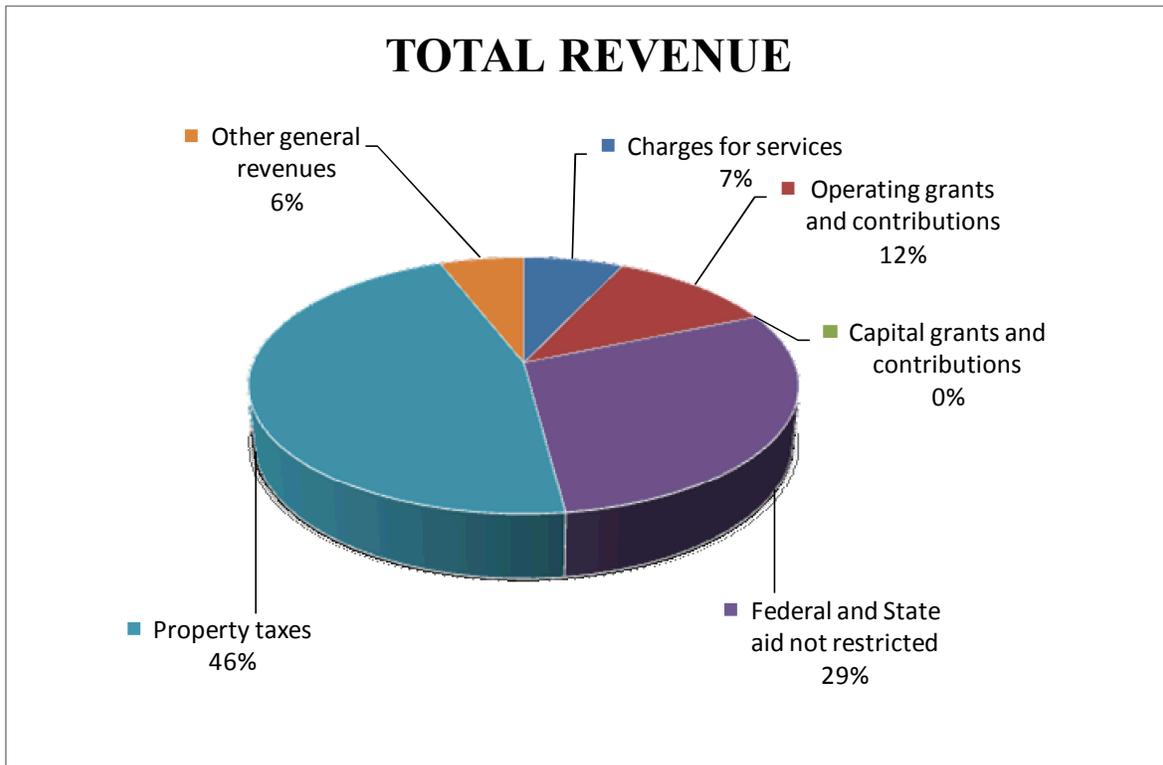
## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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

### 2014/2015 Summary of Revenues for Governmental Functions:

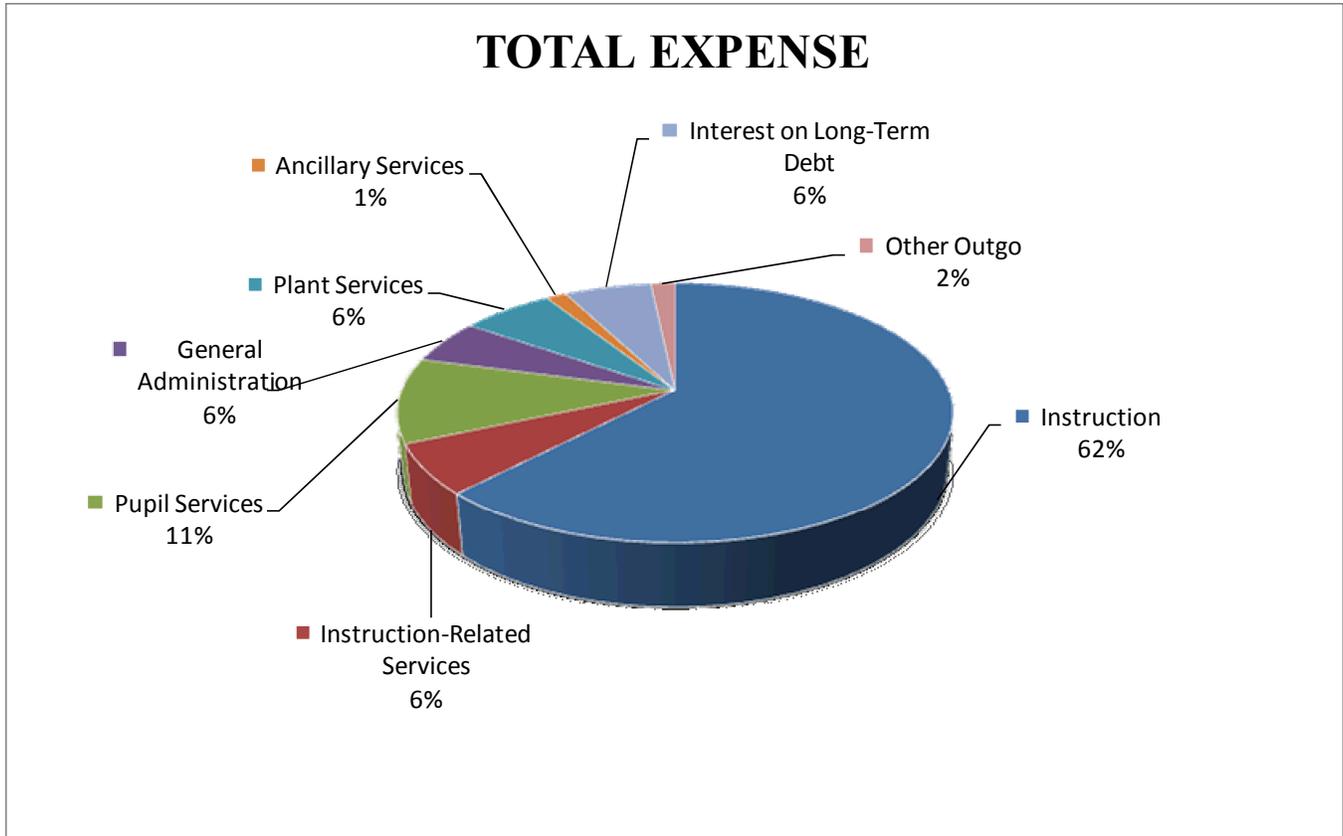


**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

**2014/2015 Summary of Expenses for Governmental Functions:**



**Governmental Activities** – Net cost is total cost less fees generated by the related activity. The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

**Table 3**

	Net Cost of Services		Percentage Change
	2015	2014	
Instruction	\$ 13,579,487	\$ 11,519,307	17.88%
Instructional-Related Services	1,594,062	1,472,000	8.29%
Pupil Services	2,085,478	2,136,676	-2.40%
General Administration	1,428,500	1,485,846	-3.86%
Plant Services	1,752,022	1,490,885	17.52%
Ancillary Services	371,796	332,746	11.74%
Interest on Long-Term Debt	1,650,852	928,676	77.76%
Other Outgo	395,362	620,942	-36.33%
<b>Totals</b>	<b>\$ 22,857,559</b>	<b>\$ 19,987,078</b>	<b>14.36%</b>

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$15.4 million, which is an increase of \$6.4 million from last year (Table 4).

**Table 4**

	Balances and Activity		Percent Change
	2015	2014	
Governmental Funds:			
General	\$ 2,927,056	\$ 3,611,534	-18.95%
Cafeteria Special Revenue	38,596	3,982	869.26%
Building	8,994,487	2,426,324	270.70%
Capital Facilities	548,925	557,650	-1.56%
County School Facilities	403,005	406,694	-0.91%
Special Reserve Fund for Capital Outlay Projects	155,206	119,855	29.49%
Bond Interest and Redemption	1,904,855	1,467,375	29.81%
<b>Total Governmental</b>	<b>14,972,130</b>	<b>8,593,414</b>	<b>74.23%</b>
Proprietary:			
Internal Service:			
Self-Insurance	437,471	366,103	19.49%
<b>Total Proprietary</b>	<b>437,471</b>	<b>366,103</b>	<b>19.49%</b>
Fiduciary:			
Scholarship Trust	1,358,264	1,355,198	0.23%
Student Body Fund Agency	339,422	291,109	16.60%
<b>Total Fiduciary</b>	<b>1,697,686</b>	<b>1,646,307</b>	<b>3.12%</b>
<b>Totals</b>	<b>\$ 17,107,287</b>	<b>\$ 10,605,824</b>	<b>61.30%</b>

The primary reasons for these changes are:

- 1) Our General Fund is our principal operating fund. The fund balance in the General Fund decreased by 18.95% over the prior as a result of result of a 2% across the board salary increase for all employees, settled in spring 2015 and retroactive to July 1, 2014 and an effort to control expenses and reduce deficit spending. Although the fund balance decreases, the decrease is less than projected at estimated actuals. Some of the fund balance will be re-allocated back to the budget in for form of carryover to our school site discretionary budgets.
- 2) The Cafeteria fund reserve level increased \$34,614. The General fund contributes annually to keep this fund balanced and for 2014-15 the contribution was \$60,000, leaving an ending balance higher than normal to account for a necessary cash balance at year end and because there were significant savings in salary and benefits due to a 3 month vacancy in the food service coordinator position. The high ending balance will be allow the program to make program and offering changes during the 2015-16 year that it may otherwise not be able to afford.
- 3) Our capital projects funds increased \$6.5 million due to the sale of bonds in 2014-15 and decreased due to project expenditures paid during the year.
- 4) The Self-Insurance fund balance increased reflecting a solid fund. Premiums collected were more than claims paid. Premiums have been reduced effective July 1, 2015 to match estimated claims
- 5) There was no significant change in Fiduciary funds in 2014-15.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

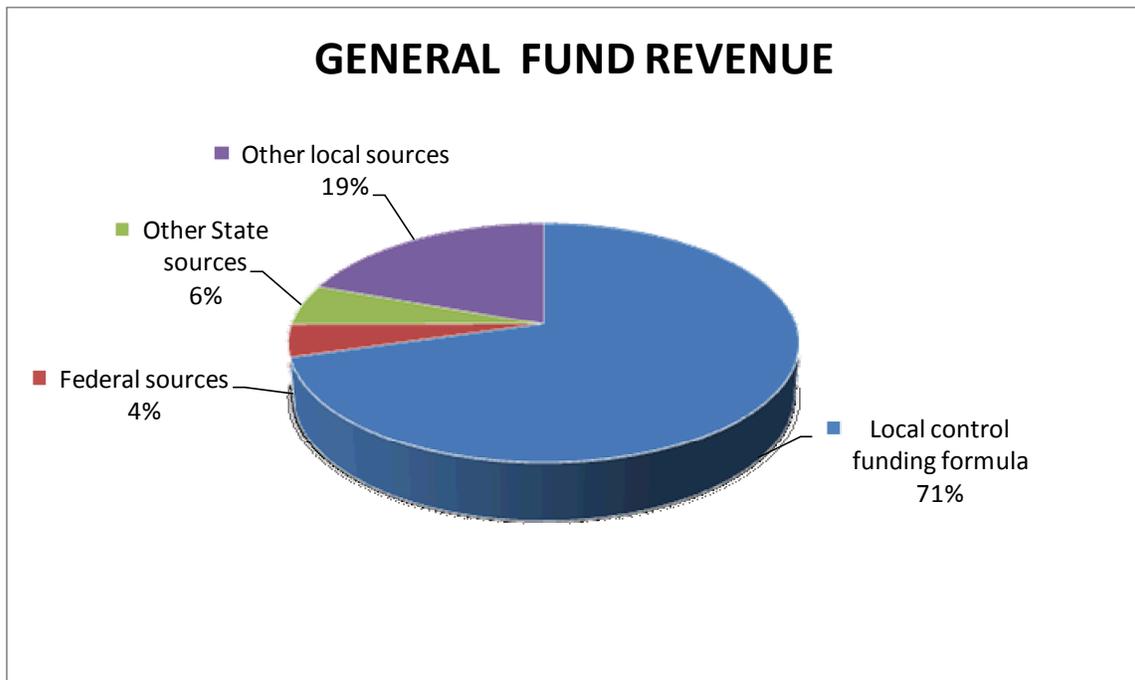
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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2015. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.

The District originally projected a decrease in fund balance of approximately \$877,000. The budget was later amended to reflect a decrease of \$1,309,000. Revenues were \$40,000 less than expected (a .20% variance), and expenditures were \$645,000 less than projected (a 2.7% variance).

### 2014/2015 General Fund Revenues

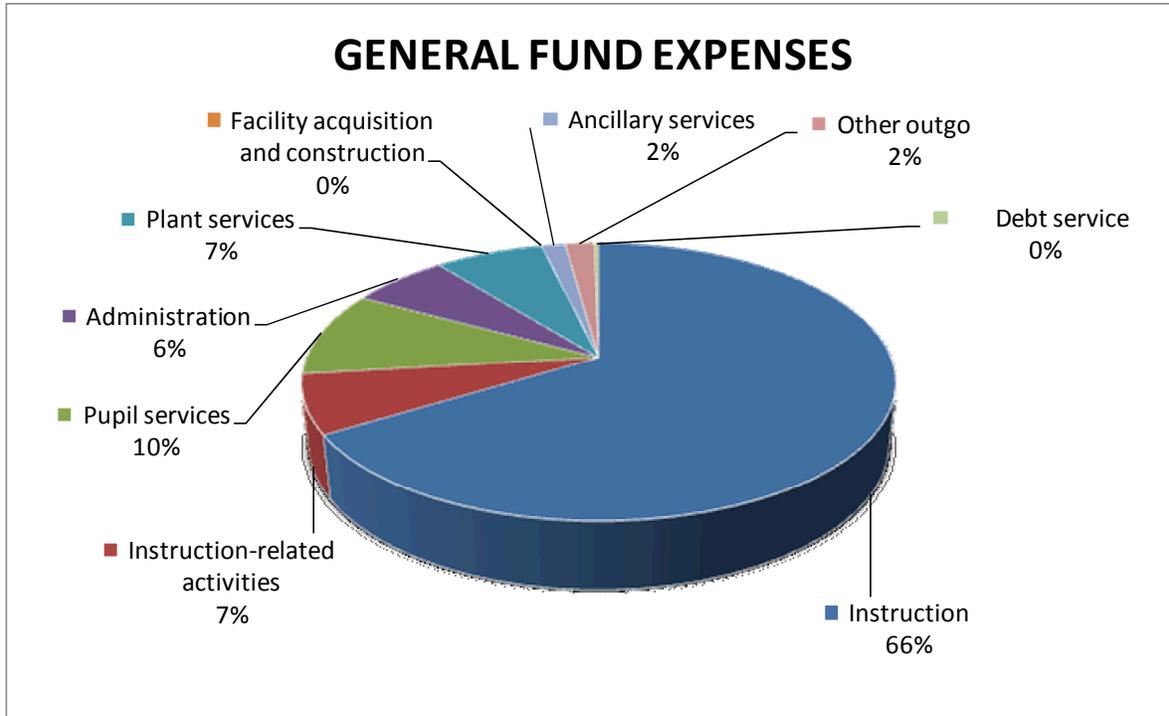


**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

**2014/2015 General Fund Expenditures**



**Other Governmental Funds**

There were no major changes to other governmental funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had \$23.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of 1.05 percent from last year's (Table 5).

**Table 5**

	Governmental Activities		Percent Change
	2015	2014	
Land	\$ 5,000	\$ 5,000	0.00%
Construction in Progress	1,489,904	415,573	0.00%
Land Improvements	6,393,176	6,132,207	4.26%
Buildings and Improvements	29,406,920	29,380,028	0.09%
Furniture and Equipment	622,538	622,538	0.00%
Accumulated Depreciation	(14,140,046)	(13,025,905)	8.55%
<b>NET CAPITAL ASSETS</b>	<b>\$ 23,777,492</b>	<b>\$ 23,529,441</b>	<b>1.05%</b>

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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The significant additions to capital assets in the 2014-15 fiscal year were \$1.6 million and included the completion of the El Molino well/irrigation project and construction began on the Analy Band Room project. Projects in the architectural and bid stages in 2014-15 include the Analy and El Molino stadium projects and planning continued for the El Molino performing arts center project. We present more detailed information about our capital assets in Note 4 to the financial statements.

### Long-Term Obligations

At the end of this year, the District had \$25.8 million in bonds outstanding versus \$17.0 million last year, and increased \$8.8 million with the issuance of new bonds in 2014-15. In addition, the District had \$14.1 million of net pension obligations associated with the unfunded portion of PERS and STRS. Those bonds and other long term obligations consisted of:

**Table 6**

LONG-TERM OBLIGATIONS	Governmental Activities		Percent
	2015	2014	Change
General obligation bonds payable	\$ 25,785,193	\$ 17,039,806	51.32%
Other post employment benefits	1,227,117	900,159	36.32%
Net pension obligation	14,130,502	-	100.00%
Early retirement incentive	5,858	-	100.00%
Compensated absences	43,453	44,615	-2.60%
Capital leases	20,597	90,386	-77.21%
Bond premiums	989,625	358,356	176.16%
	<u>\$ 42,202,345</u>	<u>\$ 18,433,322</u>	<u>128.95%</u>

The District's general obligation bond rating continues to be Aa3. The State limits the amount of general obligation debt that districts can issue to give percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$25.8 million currently calculates to a 2014-15 tax rate for the District of \$15.50 per \$100,000 of assessed valuation, significantly below the \$30.00 tax rate per \$100,000 statutorily imposed limit.

Other obligations include early retirement liabilities and compensated absences payable. We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

At the time these financial statements were prepared, the District was aware of several factors which could affect its future financial health.

- 1) The completed District Wide solar power project continues to perform at or above projections, saving the District \$250,000 annually in energy costs.
- 2) The District partnered with employee groups and completed negotiations for salary and benefits for 2014-15 and 2015-16.
- 3) The District successfully passed a \$48 per parcel tax in November 2012 generating over \$1 million dollars annually for the next eight years. The second year of revenue generated by the parcel tax exceeded the budgeted estimate by \$30,000. These funds will be used for maintaining and improving the students educational services detailed in the ballot language.
- 4) The District effectively managed Measure I Bond funded projects that improved the facilities for students, staff and community use. Bond funded projects will continue for the next 2-4 years.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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

In considering the District Budget for the 2015-16 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- 1) The adopted budget was built with using the new funding allocation method – the Local Control Funding Formula. A 1.02% COLA was applied to the TARGET per ADA, and 53.08% Gap funding was applied, based on the current DOF percentage at the time of budget adoption. The revenue will be revised again at 1st interim as details of funding are known.
- 2) Average Daily Attendance (ADA) for the revenue calculation is projected to be 1,998.94 (prior year P2 funding with adjustments, a reduction of 49 ADA from the prior year.
- 3) Federal revenue was budgeted at the prior year amounts, and reduced for all one-time grant, Title I was eliminated, and MediCal Administrative Activity (MAA) unrestricted revenue was reduced to zero and will be budgeted upon receipt.
- 4) Local revenue reflects a reduction for CTE/ROP reimbursement costs from Sonoma County Office of Education and included the parcel tax revenue estimate of \$1.1M.

Expenditures are based on the following forecasts:

- 1) Staffing levels: Certificated FTE 115.75, Certificated Admin FTE 9, Classified FTE 59.69375, Confidential/Classified Management FTE 8.0.
- 2) All units work calendars reflect a full calendar of 180 student days and 184 teacher work days
- 3) Health/Welfare benefits reflected an estimated rate changes effective 10/1/2015 with certificated contract unit members contributing 10% of health insurance premiums beginning in October 2015. All certificated unit members hired 7/1/15 or later fall under an annual cap of \$19,500. Administration/Management and the classified unit members are capped at the Kaiser composite rate and reflect rate decreases from the prior year.
- 4) Step and column movement is budgeted at a projected 1.0 percent.
- 5) GASB 45 post employment benefits of \$428,279.

### 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 Business Manager, Shelley Stiles, West Sonoma County Union High School District, 462 Johnson Street, Sebastopol, California, 95472, (707) 824-6415.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 15,778,537
Receivables	920,312
Stores inventories	1,020
Other current assets	44,970
Capital assets not depreciated	1,494,904
Capital assets, net of accumulated depreciation	22,282,588
<b>Total Assets</b>	<u>40,522,331</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contributions	1,104,286
<b>Total Deferred Outflows of Resources</b>	<u>1,104,286</u>
<b>LIABILITIES</b>	
Accounts payable	1,329,105
Interest payable	179,215
Unearned revenue	6,133
Current portion of long-term obligations other than pensions	1,214,595
Noncurrent portion of long-term obligations other than pensions	25,857,248
Aggregate net pension liability	14,130,502
<b>Total Liabilities</b>	<u>42,716,798</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charge on refunding	169,870
Difference between projected and actual earnings on pension plan investments	3,740,079
<b>Total Deferred Inflows of Resources</b>	<u>3,909,949</u>
<b>NET POSITION</b>	
Net investments in capital assets	6,838,528
Restricted for:	
Debt service	1,904,855
Capital projects	914,238
Educational programs	872,180
Other activities	38,596
Unrestricted	(15,568,527)
<b>Total Net Position</b>	<u>\$ (5,000,130)</u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 17,152,151	\$ 1,208,149	\$ 2,362,128	\$ 2,387	\$ (13,579,487)
Instruction-related activities:					
Supervision of instruction	177,562	9,889	12,425	-	(155,248)
Instructional library, media, and technology	140,832	47,367	253	-	(93,212)
School site administration	1,392,042	5,846	40,594	-	(1,345,602)
Pupil services:					
Home-to-school transportation	247,342	-	68,422	-	(178,920)
Food services	480,953	199,110	207,911	-	(73,932)
All other pupil services	2,202,180	246,437	123,117	-	(1,832,626)
Administration:					
Data processing	220,786	-	-	-	(220,786)
All other administration	1,280,388	39,016	33,658	-	(1,207,714)
Plant services	1,752,371	219	130	-	(1,752,022)
Ancillary services	385,814	-	14,018	-	(371,796)
Interest on long-term obligations	1,650,852	-	-	-	(1,650,852)
Other outgo	457,191	-	61,829	-	(395,362)
<b>Total Governmental Activities</b>	<b>\$ 27,540,464</b>	<b>\$ 1,756,033</b>	<b>\$ 2,924,485</b>	<b>\$ 2,387</b>	<b>(22,857,559)</b>
General revenues and subventions:					
					9,139,720
					1,287,047
					1,235,706
					7,433,848
					45,898
					1,435,693
					<b>20,577,912</b>
					<b>(2,279,647)</b>
					<b>(2,720,483)</b>
					<b>\$ (5,000,130)</b>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Funds</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Deposits and investments	\$ 3,336,220	\$ 9,032,179	\$ 1,904,855	\$ 1,070,567	\$ 15,343,821
Receivables	893,846	-	-	26,466	920,312
Due from other funds	-	40,437	-	100,122	140,559
Prepaid expenses	1,794	-	-	-	1,794
Stores inventories	-	-	-	1,020	1,020
<b>Total Assets</b>	<u>\$ 4,231,860</u>	<u>\$ 9,072,616</u>	<u>\$ 1,904,855</u>	<u>\$ 1,198,175</u>	<u>\$ 16,407,506</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,198,356	\$ 78,129	\$ -	\$ 12,006	\$ 1,288,491
Due to other funds	100,315	-	-	40,437	140,752
Unearned revenue	6,133	-	-	-	6,133
<b>Total Liabilities</b>	<u>1,304,804</u>	<u>78,129</u>	<u>-</u>	<u>52,443</u>	<u>1,435,376</u>
<b>Fund Balances:</b>					
Nonspendable	8,644	-	-	1,020	9,664
Restricted	872,180	8,994,487	1,904,855	989,506	12,761,028
Assigned	331,000	-	-	155,206	486,206
Unassigned	1,715,232	-	-	-	1,715,232
<b>Total Fund Balance</b>	<u>2,927,056</u>	<u>8,994,487</u>	<u>1,904,855</u>	<u>1,145,732</u>	<u>14,972,130</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,231,860</u>	<u>\$ 9,072,616</u>	<u>\$ 1,904,855</u>	<u>\$ 1,198,175</u>	<u>\$ 16,407,506</u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 14,972,130</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 37,917,538	
Accumulated depreciation is	<u>(14,140,046)</u>	
Net Capital Assets		23,777,492
in governmental funds, unamortized interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unamortized interest on long-term obligations is recognized when it is incurred.		(179,215)
An internal service fund is used by the District's management to charge the costs of the insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		437,471
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(3,740,079)
Expenditures related to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		1,104,286
Savings on refunding bonds are a revenue in the governmental funds, but is recorded as deferred inflows on the Statement of Activities.		(169,870)
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year-end consist of:		
Bonds payable	(24,785,193)	
Bond premiums, net of amortization	(989,625)	
Other Postemployment Benefits	(1,227,117)	
Net pension liability	(14,130,502)	
Early retirement incentive	(5,858)	
Capital leases	(20,597)	
Compensated absences (vacations)	<u>(43,453)</u>	
Total Long-Term Obligations		<u>(41,202,345)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ (5,000,130)</u></b>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local control funding formula	\$ 16,037,788	\$ -	\$ -	\$ -	\$ 16,037,788
Federal sources	984,801	-	61,829	191,572	1,238,202
Other State sources	1,269,183	-	11,484	16,338	1,297,005
Other local sources	4,429,716	15,619	1,281,731	363,580	6,090,646
<b>Total Revenues</b>	<b>22,721,488</b>	<b>15,619</b>	<b>1,355,044</b>	<b>571,490</b>	<b>24,663,641</b>
<b>EXPENDITURES</b>					
Current					
Instruction	15,507,762	-	-	-	15,507,762
Instruction-related activities:					
Supervision of instruction	166,421	-	-	-	166,421
Instructional library, media and technology	131,996	-	-	-	131,996
School site administration	1,304,699	-	-	-	1,304,699
Pupil services:					
Home-to-school transportation	231,823	-	-	-	231,823
Food services	18,640	-	-	432,135	450,775
All other pupil services	2,064,005	-	-	-	2,064,005
Administration:					
Data processing	206,932	-	-	-	206,932
All other administration	1,269,751	-	-	-	1,269,751
Plant services	1,642,419	-	-	-	1,642,419
Facility acquisition and construction	236	1,307,456	-	54,500	1,362,192
Ancillary services	361,606	-	-	-	361,606
Other outgo	434,887	-	-	22,304	457,191
Debt service					
Principal	66,542	-	3,446,783	-	3,513,325
Interest and other	3,247	-	860,323	-	863,570
<b>Total Expenditures</b>	<b>23,410,966</b>	<b>1,307,456</b>	<b>4,307,106</b>	<b>508,939</b>	<b>29,534,467</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(689,478)</b>	<b>(1,291,837)</b>	<b>(2,952,062)</b>	<b>62,551</b>	<b>(4,870,826)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	65,000	-	-	60,000	125,000
Other sources	-	7,860,000	3,389,542	-	11,249,542
Transfers out	(60,000)	-	-	(65,000)	(125,000)
<b>Net Financing Sources (Uses)</b>	<b>5,000</b>	<b>7,860,000</b>	<b>3,389,542</b>	<b>(5,000)</b>	<b>11,249,542</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(684,478)</b>	<b>6,568,163</b>	<b>437,480</b>	<b>57,551</b>	<b>6,378,716</b>
<b>Fund Balance - Beginning</b>	<b>3,611,534</b>	<b>2,426,324</b>	<b>1,467,375</b>	<b>1,088,181</b>	<b>8,593,414</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,927,056</b>	<b>\$ 8,994,487</b>	<b>\$ 1,904,855</b>	<b>\$ 1,145,732</b>	<b>\$ 14,972,130</b>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 6,378,716</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlay exceeds depreciation in the period.	
Depreciation expense	\$ (1,114,141)
Capital outlays	<u>1,362,192</u>
Net Expense Adjustment	248,051
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	1,162
The underfunded portion of the Annual Required Contribution (ARC) of the other postemployment benefits is not recorded in the governmental funds. In the Statement of Activities, the underfunded portion of the ARC is recognized as expenses.	(326,958)
In the Statement of Activities, certain operating expenses, such as golden handshake benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(5,858)
Proceeds received from issuance of debt are a revenue in the governmental funds, but increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(10,605,000)
Accretion of loan principal on long-term obligations is not in the governmental funds until it is paid, but it increases long-term obligations in the Statement of Net Position.	(793,235)
Premiums received on the issuance of bonds is a revenue in the governmental funds, but is recorded as a long-term obligation on the Statement of Activities.	(631,269)
Savings on refunding of bonds is a revenue in the governmental funds, but is recorded as a deferred inflows on the Statement of Activities.	(169,870)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position.	3,652,848
Payment of principal on capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	69,789
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year.	(125,629)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(46,762)
An internal service fund is used by the District's management to charge the costs of the insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>74,368</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (2,279,647)</u></b>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 434,716
Due from other funds	193
Other current assets	43,176
<b>Total Assets</b>	<u>478,085</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Claim liabilities	40,614
<b>Total Liabilities</b>	<u>40,614</u>
<b>NET POSITION</b>	
Unrestricted	437,471
<b>Total Net Position</b>	<u>\$ 437,471</u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b><u>Governmental Activities - Internal Service Fund</u></b>
<b>OPERATING REVENUES</b>	
In-District Premium	\$ 460,388
<b>OPERATING EXPENSES</b>	
Other operating cost	<u>387,927</u>
Operating Income	72,461
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>1,907</u>
<b>Change in Net Position</b>	74,368
<b>Total Net Position - Beginning</b>	<u>363,103</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 437,471</u></u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from interfund services provided	\$      507,598
Cash payments to suppliers of services	(375,932)
Net Cash Provided by Operating Activities	<u>          131,666</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	1,907
Net Cash Provided by Investing Activities	<u>          1,907</u>
Net Increase in Cash and Cash Equivalents	133,573
Cash and Cash Equivalents - Beginning	301,143
Cash and Cash Equivalents - Ending	<u><u>          \$      434,716</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$          72,461
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(193)
Accrued liabilities	11,995
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>          \$      131,666</u></u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Scholarship Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	\$ 1,332,683	\$ 339,422
<b>Total Assets</b>	<u>1,332,683</u>	<u>\$ 339,422</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 339,422
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 339,422</u>
<b>NET POSITION</b>		
Restricted for scholarships	1,332,683	
<b>Total Net Position</b>	<u>\$ 1,332,683</u>	

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Scholarship Trust</b>
<b>ADDITIONS</b>	
Interest	<u>\$ 5,696</u>
<b>Total Additions</b>	<u>5,696</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>28,211</u>
<b>Total Deductions</b>	<u>28,211</u>
<b>Change in Net Position</b>	(22,515)
<b>Net Position - Beginning</b>	<u>1,355,198</u>
<b>Net Position - Ending</b>	<u><u>\$ 1,332,683</u></u>

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The West Sonoma County Union High School District was established as the Analy High School District in 1908 and changed its name to West Sonoma County Union High School District in 1996 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates two comprehensive high schools, one continuation high school, one community day school, and an independent study program.

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, boards, and agencies that are not legally separate from the District. For West Sonoma County Union High School District, this includes general operations, food service, and student related activities of the District.

#### **Basis of Presentation - Fund Accounting**

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

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

#### **Major Governmental Funds**

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

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Non-Major Governmental Funds

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

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

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

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

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

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

**Proprietary Funds** 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 local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

**Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a property and liability program that is accounted for in an internal service fund.

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be 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 held at June 30, 2015, 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 the county investment pool are determined by the program sponsor.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; land improvements, 20 years; equipment, 5 to 10 years; and vehicles, 8 years.

### **Interfund Balances**

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

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

### **Accrued Liabilities and Long-Term Obligations**

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### Pensions

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

### Fund Balances – Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** – all other spendable amounts.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balances policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$3,729,869 of restricted net position, of which \$872,180 is restricted by enabling legislation.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are amounts received from other funds. Operating expenses are necessary costs incurred to provide the service which is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **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 column of the statement of activities.

### **Estimates**

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

### **Property Tax**

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

### **Changes in Accounting Principles**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$16,640,666. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

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

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

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

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

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

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

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

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 15,778,537
Fiduciary funds	1,672,105
Total Deposits and Investments	<u>\$ 17,450,642</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 712,129
Cash in revolving	6,850
Investments	16,731,663
Total Deposits and Investments	<u>\$ 17,450,642</u>

#### Policies and Practices

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

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages exposure to interest rate risk by investing in County Pool.

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

Investment Type	Fair Value	Maturity in Years
County Pool	\$ 16,724,970	1.644

**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 District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2015.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Custodial Credit Risk - Deposits**

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

### **NOTE 3 - RECEIVABLES**

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental
Federal Government			
Categorical aid	\$ 521,236	\$ 26,466	\$ 547,702
State Government			
Categorical aid	202,362	-	202,362
Lottery	135,177	-	135,177
Other Local Sources	35,071	-	35,071
Total	<u>\$ 893,846</u>	<u>\$ 26,466</u>	<u>\$ 920,312</u>

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in Progress	415,573	1,151,006	76,675	1,489,904
Total Capital Assets Not Being Depreciated	<u>420,573</u>	<u>1,151,006</u>	<u>76,675</u>	<u>1,494,904</u>
Capital Assets Being Depreciated:				
Land Improvements	6,132,207	260,969	-	6,393,176
Buildings and Improvements	29,380,028	26,892	-	29,406,920
Furniture and Equipment	622,538	-	-	622,538
Total Capital Assets Being Depreciated	<u>36,134,773</u>	<u>287,861</u>	<u>-</u>	<u>36,422,634</u>
Total Capital Assets	<u>36,555,346</u>	<u>1,438,867</u>	<u>76,675</u>	<u>37,917,538</u>
Less Accumulated Depreciation:				
Land Improvements	1,205,682	284,346	-	1,490,028
Buildings and Improvements	11,259,775	812,217	-	12,071,992
Furniture and Equipment	560,448	17,578	-	578,026
Total Accumulated Depreciation	<u>13,025,905</u>	<u>1,114,141</u>	<u>-</u>	<u>14,140,046</u>
Total Capital Assets Being Depreciated, Net	<u>23,108,868</u>	<u>(826,280)</u>	<u>-</u>	<u>22,282,588</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,529,441</u>	<u>\$ 324,726</u>	<u>\$ 76,675</u>	<u>\$ 23,777,492</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 740,326
Supervision of instruction	7,945
Instructional library, media, and technology	6,301
School site administration	62,285
Home-to-school transportation	11,067
Food services	21,520
All other pupil services	98,533
Ancillary services	17,262
All other administration	60,617
Centralized data processing	9,878
Plant services	78,407
Total Depreciation Expenses Governmental Activities	<u>\$ 1,114,141</u>

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

Due to	Due From			Total
	Building Fund	Non-Major Funds	Proprietary Funds	
General Fund	\$ -	\$ 100,122	\$ 193	\$ 100,315
Non-Major Governmental Funds	40,437	-	-	40,437
Total	<u>\$ 40,437</u>	<u>\$ 100,122</u>	<u>\$ 193</u>	<u>\$ 140,752</u>

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 60,000	\$ 60,000
Non-Major Governmental Funds	65,000	-	65,000
Total	<u>\$ 65,000</u>	<u>\$ 60,000</u>	<u>\$ 125,000</u>

The General Fund transferred to the Cafeteria Fund for the budgeted contribution to the Cafeteria Fund. \$ 60,000

The Special Reserve Fund for Capital Outlay Projects transferred a portion for the routine restricted maintenance match to the General Fund. 65,000

Total \$ 125,000

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Subtotal	Proprietary Funds	Total
Vendor payables	\$ 583,717	\$ -	\$ 537	\$ 584,254	\$ -	\$ 584,254
State apportionment	511,970	-	-	511,970	-	511,970
Salaries and benefits	102,669	-	787	103,456	-	103,456
Construction costs	-	78,129	10,682	88,811	-	88,811
Claim liabilities	-	-	-	-	40,614	40,614
Total	<u>\$ 1,198,356</u>	<u>\$ 78,129</u>	<u>\$ 12,006</u>	<u>\$ 1,288,491</u>	<u>\$ 40,614</u>	<u>\$ 1,329,105</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Restated Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 17,039,806	\$ 11,398,235	\$ 3,652,848	\$ 24,785,193	\$ 1,127,747
Other post employment benefits	900,159	587,581	260,623	1,227,117	-
Net pension obligation	17,644,033	-	3,513,531	14,130,502	-
Early retirement incentive	-	5,858	-	5,858	5,858
Compensated absences	44,615	43,453	44,615	43,453	-
Capital leases	90,386	-	69,789	20,597	20,597
Bond premiums	358,356	644,542	13,273	989,625	60,393
	<u>\$ 36,077,355</u>	<u>\$ 12,679,669</u>	<u>\$ 7,554,679</u>	<u>\$ 41,202,345</u>	<u>\$ 1,214,595</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption fund with local tax revenues. Capital lease payments are made by the General fund. The early retirement incentive is paid from the General Fund. The accrued vacation, other post employment benefits, and net pension obligations will be paid by the fund for which the employee worked.

On April 30, 2015, the District issued the 2015 Refunding Bonds in the amount of \$2,605,000. The proceeds were used to advance refund a portion of the outstanding 2005 Refunding Bonds. The net proceeds were used to purchase U.S. Securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for partial future debt service payments on 2005 Refunding Bonds. The Escrow agent makes payments on the 2005 Refunding Bonds that were refunded and the debt service to maturity amounts of the outstanding balances. At June 30, 2015, the balance in the escrow account was \$2,751,787.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Additions	Redeemed	Bonds Outstanding June 30, 2015
9/1/1998	9/1/2023	4.25 - 7.25%	\$4,330,000	\$ 2,405,000	\$ -	\$ 195,000	\$ 2,210,000
9/1/1998	9/1/2021	4.35 - 4.90%	1,969,372	2,220,510	278,653	310,382	2,188,781
2/17/2005	8/15/2021	3.00 - 4.25%	5,645,000	3,405,000	-	3,040,000	365,000
5/25/2011	8/1/2025	4.932 - 5.482%	1,920,000	1,920,000	-	-	1,920,000
5/25/2011	8/1/2042	1.50 - 7.20%	5,951,794	7,089,296	514,582	107,466	7,496,412
4/30/2015	8/1/2045	3.00 - 5.00%	8,000,000	-	8,000,000	-	8,000,000
4/30/2015	8/1/2021	2.00 - 5.00%	2,605,000	-	2,605,000	-	2,605,000
				<u>\$ 17,039,806</u>	<u>\$ 11,398,235</u>	<u>\$ 3,652,848</u>	<u>\$ 24,785,193</u>

**Debt Service Requirements to Maturity**

The bonds mature through fiscal year 2042-2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Accreted Interest	Total
2016	\$ 784,299	\$ 640,489	\$ 303,448	\$ 1,728,236
2017	778,805	635,103	334,584	1,748,492
2018	847,027	611,098	360,003	1,818,128
2019	907,968	578,194	387,666	1,873,828
2020	986,701	539,640	416,865	1,943,206
2021-2025	3,755,641	2,152,601	897,412	6,805,654
2026-2030	1,923,813	1,623,770	2,455,384	6,002,967
2021-2035	1,708,298	1,518,850	5,900,609	9,127,757
2036-2040	1,476,757	1,516,250	8,438,252	11,431,259
2041-2045	6,727,957	1,266,500	2,010,666	10,005,123
2046	2,045,000	102,250	-	2,147,250
Total	<u>21,942,266</u>	<u>\$ 11,184,745</u>	<u>\$ 21,504,889</u>	<u>\$ 54,631,900</u>
Accumulated accreted interest	<u>2,842,927</u>			<u>\$ 24,785,193</u>

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**Capital Leases**

The District has entered into various capital lease arrangements. The District’s liability under the capital leases are as follows:

Year Ending June 30,	Lease Payment
<u>2016</u>	<u>\$ 29,079</u>
Total	29,079
Less: Amount Representing Interest	(8,482)
Present Value of Minimum Lease Payments	<u><u>\$ 20,597</u></u>

Leased equipment under capital leases in capital assets at June 30, 2015, included equipment in the amount of \$409,160. Amortization of leased equipment under capital assets in the amount of \$409,160 is included with accumulated depreciation.

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$43,453.

**Other Postemployment Benefit (OPEB) Obligation**

The District’s annual required contribution for the year ended June 30, 2015, was \$587,581, and contributions made by the District during the year were \$260,623. This resulted in an increase to the net OPEB obligation of \$326,958. As of June 30, 2015, the net OPEB obligation was \$1,227,117. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 8 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$6,850	\$ -	\$ -	\$ -	\$ 6,850
Stores inventories	-	-	-	1,020	1,020
Reserve for prepaid	1,794	-	-	-	1,794
<b>Total Nonspendable</b>	<b>8,644</b>	<b>-</b>	<b>-</b>	<b>1,020</b>	<b>9,664</b>
<b>Restricted</b>					
Legally restricted programs	872,180	-	-	37,576	909,756
Capital projects	-	8,994,487	-	951,930	9,946,417
Debt services	-	-	1,904,855	-	1,904,855
<b>Total Restricted</b>	<b>872,180</b>	<b>8,994,487</b>	<b>1,904,855</b>	<b>989,506</b>	<b>12,761,028</b>
<b>Assigned</b>					
Capital projects	-	-	-	155,206	155,206
Site Carryover	331,000	-	-	-	331,000
<b>Total Assigned</b>	<b>331,000</b>	<b>-</b>	<b>-</b>	<b>155,206</b>	<b>486,206</b>
<b>Unassigned</b>					
Reserve for economic uncertainties	704,129	-	-	-	704,129
Remaining unassigned	1,011,103	-	-	-	1,011,103
<b>Total Unassigned</b>	<b>1,715,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,715,232</b>
<b>Total</b>	<b>\$ 2,927,056</b>	<b>\$ 8,994,487</b>	<b>\$ 1,904,855</b>	<b>\$ 1,145,732</b>	<b>\$ 14,972,130</b>

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the West Sonoma County Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 30 retirees and beneficiaries currently receiving benefits, no terminated plan members entitled to but not yet receiving benefits, and 215 active plan members.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

	<u>Certified</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	6 years but not beyond age 65	6 years but not beyond age 65	6 years but not beyond age 65
Required Service	10 years	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	Capped at the District contribution at retirement	Capped at the District contribution at retirement	Capped at the District contribution at retirement

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the West Sonoma County Teachers Association (WSCTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, WSCTA, CSEA and the unrepresented groups. For fiscal year 2014-15, the District contributed \$260,623 to the plan, all of which was used for current premiums (approximately 100% percent of total premiums).

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 587,581
Contributions made	(260,623)
Increase in net OPEB obligation	<u>326,958</u>
Net OPEB obligation, beginning of year	900,159
Net OPEB obligation, end of year	<u><u>\$ 1,227,117</u></u>

The trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 518,593	\$ 330,879	64%	\$ 536,079
2014	587,581	223,501	38%	900,159
2015	587,581	260,623	44%	1,227,117

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Funded Status and Funding Progress**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
12/1/2013	\$ -	\$ 4,019,849	\$ 4,019,849	-	\$ 11,020,810	36%

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

**Actuarial Methods and Assumptions**

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

In the December 1, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 4 percent. The cost trend rate used for the Dental and Vision programs was 4 percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at December 1, 2013, was 30 years. At December 1, 2013, there were no assets held in Trust.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**NOTE 10 - RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Redwood Empire Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2015, the District participated in the Redwood Empire Schools Insurance Group, an insurance purchasing pool. The intent of the Redwood Empire Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Redwood Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Redwood Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Redwood Schools Insurance Group. Participation in the Redwood Schools Insurance Group is limited to districts that can meet the Redwood Schools Insurance Group selection criteria. The firm of Keenan provides administrative, cost control, and actuarial services to the JPA.

**Employee Medical Benefits**

The District has contracted with California's Valued Trust to provide certificated employee health benefits (Kaiser and Blue Cross) and with Redwood Empire Schools Insurance Group to provide classified, administration, and management employee health benefits (Kaiser and Blue Shield).

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS**

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 11,455,254	\$ 789,980	\$ 2,820,834	\$ 988,958
CalPERS	2,675,248	314,306	919,245	237,775
Total	<u>\$ 14,130,502</u>	<u>\$ 1,104,286</u>	<u>\$ 3,740,079</u>	<u>\$ 1,226,733</u>

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The details of each plan are as follows:

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

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$790,025.

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

At June 30, 2015, 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 net pension liability	\$	11,455,254
State's proportionate share of the net pension liability associated with the District		6,917,177
Total	<u>\$</u>	<u>18,372,431</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0196 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$988,958 and revenue of \$597,176 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 789,980	\$ -
Difference between projected and actual earnings on pension plan investments	-	2,820,834
Total	<u>\$ 789,980</u>	<u>\$ 2,820,834</u>

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The deferred outflow 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, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 705,209
2017	705,209
2018	705,209
2019	705,209
Total	<u>\$ 2,820,834</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation 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.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 17,855,744
Current discount rate (7.60%)	\$ 11,455,254
1% increase	\$ 6,118,407

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$314,306.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,675,248. The net pension liability was measured as of June 30, 2014. 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 0.0236 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$237,775. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 314,306	\$ -
Difference between projected and actual earnings on pension plan investments		919,245
Total	<u>\$ 314,306</u>	<u>\$ 919,245</u>

The deferred outflow 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, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 229,811
2017	229,811
2018	229,811
2019	229,811
Total	<u>\$ 919,245</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 4,692,996
Current discount rate (7.50%)	\$ 2,675,248
1% increase (8.50%)	\$ 989,216

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Social Security**

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

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$404,705 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

## **NOTE 12 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Construction and Other Commitments

As of June 30, 2015, the District had the following commitments:

Description	Remaining Construction Commitment	Expected Date of Completion
Bond Project - Analy Stadium - Construction	\$ 3,425,079	January 2016
Bond Project - Analy Stadium - Architect	66,593	January 2016
Bond Project - Analy Stadium - Management	120,453	January 2016
Bond Project - El Molino Stadium - Construction	2,978,152	December 2015
Bond Project - El Molino Stadium - Architect	55,238	December 2015
Bond Project - El Molino Stadium - Management	96,231	December 2015
Bond Project - El Molino Performing Arts - Architect	433,896	Undetermined
Bond Project - El Molino Performing Arts - Management	232,043	Undetermined
Bond Project - Analy Band Room - Construction	1,684,354	May 2016
Bond Project - Analy Band Room - Architect	12,143	May 2016
Bond Project - Analy Band Room - Management	104,446	May 2016
	\$ 9,208,628	

### NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Redwood Empire Insurance Group (RESIG) public entity risk pools and the West Sonoma County Transportation JPA (WSCTJPA) joint powers authority (JPA). The District pays an annual premium or payment to the applicable entity for its property and liability coverage and transportation services. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2015, the District made payments of \$399,672 and \$592,173 to RESIG and WSCTJPA, respectively for property and liability coverage and transportation services.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### NOTE 14 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 13,920,183
Restatement - pension obligations	<u>(16,640,666)</u>
Net Position - Beginning as Restated	<u>\$ (2,720,483)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive (Negative) Final to Actual</b>
<b>REVENUES</b>				
Local control funding formula	\$ 15,844,038	\$ 16,064,182	\$ 16,037,788	\$ (26,394)
Federal sources	813,804	1,174,313	984,801	(189,512)
Other state sources	628,426	1,157,531	1,269,183	111,652
Other local sources	4,619,765	4,366,126	4,429,716	63,590
<b>Total Revenues <sup>1</sup></b>	<b>21,906,033</b>	<b>22,762,152</b>	<b>22,721,488</b>	<b>(40,664)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	9,098,871	9,211,420	9,125,794	85,626
Classified salaries	2,510,889	2,529,230	2,529,300	(70)
Employee benefits	6,205,911	6,373,428	6,354,700	18,728
Books and supplies	970,334	1,131,225	1,078,849	52,376
Services and operating expenditures	3,458,572	4,126,252	3,817,411	308,841
Other outgo	372,197	537,897	434,887	103,010
Capital outlay	9,500	10,624	236	10,388
Debt service	135,782	135,782	69,789	65,993
<b>Total Expenditures <sup>1</sup></b>	<b>22,762,056</b>	<b>24,055,858</b>	<b>23,410,966</b>	<b>644,892</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(856,023)</b>	<b>(1,293,706)</b>	<b>(689,478)</b>	<b>604,228</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	65,000	65,000	65,000	-
Transfers out	(86,000)	(80,000)	(60,000)	20,000
<b>Net Financing Uses</b>	<b>(21,000)</b>	<b>(15,000)</b>	<b>5,000</b>	<b>20,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(877,023)</b>	<b>(1,308,706)</b>	<b>(684,478)</b>	<b>624,228</b>
<b>Fund Balance - Beginning</b>	<b>3,611,534</b>	<b>3,611,534</b>	<b>3,611,534</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,734,511</b>	<b>\$ 2,302,828</b>	<b>\$ 2,927,056</b>	<b>\$ 624,228</b>

<sup>1</sup> On behalf payments of \$404,705 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
12/1/2009	-	2,947,443	2,947,443	-	11,126,153	26%
12/1/2011	-	2,830,598	2,830,598	-	10,658,846	27%
12/1/2013	-	4,019,849	4,019,849	-	11,020,810	36%

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability	<u>0.0196%</u>
District's proportionate share of the net pension liability	\$ 11,455,254
State's proportionate share of the net pension liability associated with the District	<u>6,917,177</u>
Total	<u>\$ 18,372,431</u>
District's covered - employee payroll	<u>\$ 8,564,473</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>133.75%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 <b>CalPERS</b>	
District's proportion of the net pension liability (asset)	<u>0.0236%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 3,640,227</u>
District's covered - employee payroll	<u>\$ 2,474,620</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>1.471024642</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 720,317
Contributions in relation to the contractually required contribution	<u>(789,980)</u>
Contribution deficiency (excess)	<u><u>\$ (69,663)</u></u>
District's covered - employee payroll	<u>\$ 8,885,419</u>
Contributions as a percentage of covered - employee payroll	<u>8.89%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 283,050
Contributions in relation to the contractually required contribution	<u>(314,306)</u>
Contribution deficiency (excess)	<u><u>\$ (31,256)</u></u>
District's covered - employee payroll	<u>\$ 2,670,395</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

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***SUPPLEMENTARY INFORMATION***

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**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Special Education (IDEA) - State Grant Cluster			
Basic Local Assistance Entitlement, Part B, Sec. 611	84.027	13379	\$ 476,611
Preschool Grant, Part B, Sec. 619	84.173	13430	14,463
Preschool Local Entitlement, Part B, Sec. 611	84.027A	13682	20,090
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	164,404
Preschool Staff Development, Part B, Sec. 619	84.173A	13431	127
Total Special Education Cluster			<u>675,695</u>
No Child Left Behind			
Title II - Part A, Improving Teacher Quality	84.367	14341	31,150
Title III - Immigrant Education Program	84.365	14346	1,124
Title III - Limited English Proficient (LEP) Student Program	84.365	10084	6,573
Workability II, Transitions Partnership	84.158	10006	95,981
Vocational Educational Grants			
Technology Secondary II C, Section 131	84.048	13924	31,189
Total U.S. Department of Education			<u>841,712</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Medi-Cal Billing Option	93.778	10013	28,546
Medi-Cal Administrative Assistance (MAA)	93.778	10060	110,328
Total U.S. Department of Health and Human Services			<u>138,874</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Especially Needy Breakfast	10.553	03157	68,088
National School Lunch	10.555	13390	123,484
Commodities <sup>[1]</sup>	10.558	<sup>[2]</sup>	19,474
Total U.S. Department of Agriculture			<u>211,046</u>
Total Expenditures of Federal Awards			<u>\$ 1,191,632</u>

<sup>[1]</sup> Amount not reported in financial statements.

<sup>[2]</sup> Pass through numbers not available.

See accompanying note to supplementary information.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The West Sonoma County Union High School District was established as the Analy High School District in 1908 and changed its name to West Sonoma County Union High School District in 1996. The District consists of an area comprising approximately 621 square miles. The District operates two comprehensive high schools, two continuation schools, an adult education program, and an independent study program. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Diane Landry	President	December 2016
Ms. Kellie Noe	Vice-President	December 2018
Ms. Lori Bruhner	Clerk	December 2018
Mr. David Stecher	Trustee	December 2018
Mr. Theodore Walker	Trustee	December 2016

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Mr. Keller McDonald	Superintendent
Ms. Shelley Stiles	Business Manager

See accompanying note to supplementary information.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	13.25	13.38
Fourth through sixth	9.32	9.27
Seventh and eighth	7.21	7.25
Ninth through twelfth	1,887.16	1,870.51
Total Regular ADA	<u>1,916.94</u>	<u>1,900.41</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	20.03	19.64
Total Extended Year Special Education	<u>20.03</u>	<u>19.64</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.29	1.29
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.29</u>	<u>1.29</u>
Community Day School		
Ninth through twelfth	4.36	5.18
Total Community Day School	<u>4.36</u>	<u>5.18</u>
Total Regular ADA	<u>1,942.62</u>	<u>1,926.52</u>

See accompanying note to supplementary information.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

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Grade Level	1986-87 Minutes Requirement	Reduced	2014-2015 Actual Minutes	Number of Days		Status
		1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	63,000	65,160	180	Not applicable	In compliance
Grade 10	64,800	63,000	65,160	180	Not applicable	In compliance
Grade 11	64,800	63,000	65,160	180	Not applicable	In compliance
Grade 12	64,800	63,000	65,160	180	Not applicable	In compliance

See accompanying note to supplementary information.

# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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Summarized below are the reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

LONG-TERM OBLIGATIONS	<u>Form Debt</u>
Balance, June 30, 2015, Unaudited Actuals	\$26,336,791
Increase (Decrease) in:	
General obligation bonds	(254,613)
Other post employment benefits	40
Net pension obligation	14,130,502
Other long term debt - Bond premiums	989,625
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 41,202,345</u>

See accompanying note to supplementary information.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 <sup>1</sup>	2015	2014 <sup>4</sup>	2013 <sup>4</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 24,922,593	\$ 22,721,488	\$ 22,068,754	\$ 21,066,531
Other sources	65,000	65,000	65,000	65,000
Total Revenues and Other Sources	24,987,593	22,786,488	22,133,754	21,131,531
Expenditures	24,154,603	23,410,966	21,940,125	21,692,725
Other uses and transfers out	290,000	60,000	95,000	78,000
Total Expenditures and Other Uses	24,444,603	23,470,966	22,035,125	21,770,725
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 542,990</b>	<b>\$ (684,478)</b>	<b>\$ 98,629</b>	<b>\$ (639,194)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,470,046</b>	<b>\$ 2,927,056</b>	<b>\$ 3,611,534</b>	<b>\$ 3,512,905</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 2,078,162</b>	<b>\$ 1,715,232</b>	<b>\$ 2,342,180</b>	<b>\$ 2,916,714</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>8.50%</b>	<b>7.46%</b>	<b>10.87%</b>	<b>13.68%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ 39,987,750</b>	<b>\$ 41,202,345</b>	<b>\$ 18,433,322</b>	<b>\$ 18,521,085</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>1,913</b>	<b>1,943</b>	<b>1,986</b>	<b>2,040</b>

The General Fund balance has decreased by \$585,849 over the past two years. The fiscal year 2015-2016 budget projects a increase of \$542,990 (19 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year.

Average daily attendance (ADA) has decreased by 97 over the past two years. A decrease of 30 ADA is expected during 2015-16.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> On behalf payments of \$404,705, \$478,241, and \$446,696 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014 and 2013, respectively.

<sup>4</sup> General Fund amounts include activity related to the consolidation of the adult education and the deferred maintenance funds as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 12,093	\$ 600,044	\$ 403,005
Receivables	26,466	-	-
Due from other funds	341	-	-
Stores inventories	1,020	-	-
<b>Total Assets</b>	<u>\$ 39,920</u>	<u>\$ 600,044</u>	<u>\$ 403,005</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,324	\$ 10,682	\$ -
Due to other funds	-	40,437	-
<b>Total Liabilities</b>	<u>1,324</u>	<u>51,119</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable	1,020	-	-
Restricted	37,576	548,925	403,005
Assigned	-	-	-
<b>Total Fund Balance</b>	<u>38,596</u>	<u>548,925</u>	<u>403,005</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 39,920</u>	<u>\$ 600,044</u>	<u>\$ 403,005</u>

See accompanying note to supplementary information.

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<b>Special Reserve Capital Outlay Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 55,425	\$ 1,070,567
-	26,466
99,781	100,122
-	1,020
<u>\$ 155,206</u>	<u>\$ 1,198,175</u>
\$ -	\$ 12,006
-	40,437
-	<u>52,443</u>
-	1,020
-	989,506
155,206	155,206
<u>155,206</u>	<u>1,145,732</u>
<u>\$ 155,206</u>	<u>\$ 1,198,175</u>

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 191,572	\$ -	\$ -
Other state sources	16,338	-	-
Other local sources	198,839	62,003	2,387
<b>Total Revenues</b>	<b>406,749</b>	<b>62,003</b>	<b>2,387</b>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	432,135	-	-
Facility acquisition and construction	-	48,424	6,076
Other outgo	-	22,304	-
<b>Total Expenditures</b>	<b>432,135</b>	<b>70,728</b>	<b>6,076</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>(25,386)</b>	<b>(8,725)</b>	<b>(3,689)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	60,000	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>60,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>34,614</b>	<b>(8,725)</b>	<b>(3,689)</b>
<b>Fund Balance - Beginning</b>	<b>3,982</b>	<b>557,650</b>	<b>406,694</b>
<b>Fund Balance - Ending</b>	<b>\$ 38,596</b>	<b>\$ 548,925</b>	<b>\$ 403,005</b>

See accompanying note to supplementary information.

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<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 191,572
-	16,338
100,351	363,580
<u>100,351</u>	<u>571,490</u>
-	432,135
-	54,500
-	22,304
<u>-</u>	<u>508,939</u>
100,351	62,551
-	60,000
<u>(65,000)</u>	<u>(65,000)</u>
<u>(65,000)</u>	<u>(5,000)</u>
35,351	57,551
119,855	1,088,181
<u>\$ 155,206</u>	<u>\$ 1,145,732</u>

# WEST SONOMA COUNTY HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,238,202
Federal interest subsidy		(61,829)
Teacher Quality Funds deferred to next year	84.394	(4,215)
Commodities not recorded in financial statements	10.558	19,474
Total Schedule of Expenditures of Federal Awards		<u>\$ 1,191,632</u>

#### Local Education Agency Organization Structure

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

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

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

#### Schedule of Instructional Time

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

The District must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code Section 46201.

#### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

# WEST SONOMA COUNTY HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED) JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
West Sonoma County Union High School District  
Sebastopol, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Sonoma County Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise West Sonoma County Union High School District's basic financial statements, and have issued our report thereon dated December 3, 2015.

**Change in Accounting Principles**

As discussed in Notes 1 and 14 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Sonoma County High 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 West Sonoma County High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Sonoma County High School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

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.

### **Compliance and Other Matters**

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

West Sonoma County Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. West Sonoma County Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*Varrinek, Ture, Day & Co LLP*

Pleasanton, California  
December 3, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
West Sonoma County Union High School District  
Sebastopol, California

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

We have audited West Sonoma County Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Sonoma County Union High School District's (the District) major Federal programs for the year ended June 30, 2015. West Sonoma County Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of West Sonoma County Union High 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 West Sonoma County Union High 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 West Sonoma County Union High School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, West Sonoma County Union High 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, 2015.

## Report on Internal Control Over Compliance

Management of West Sonoma County Union High 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 West Sonoma County Union High 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 OMB Circular A-133, 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 West Sonoma County Union High 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Vavrinek, Ture, Day & Co LLP*

Pleasanton, California  
December 3, 2015



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
West Sonoma County Union High School District  
Sebastopol, California

### Report on State Compliance

We have audited West Sonoma County Union High School District's compliance with the types of compliance requirements as identified in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the *West Sonoma County Union High School District's* State government programs as noted below for the year ended June 30, 2015.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the West Sonoma County Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about West Sonoma County Union High 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 opinions. Our audit does not provide a legal determination of West Sonoma County Union High School District's compliance with those requirements.

### Unmodified Opinion on Each of the State Programs Listed Below:

In our opinion, West Sonoma County Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
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	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instruction Minutes Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The District does not have Kindergarten classes, therefore, we did not perform procedures related to Kindergarten Continuance within the Attendance Accounting Program.

The District does not offer a Work Experience Program, therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program, therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

The District does not have Kindergarten through third grade classes, therefore, we did not perform procedures related to the K-3 Grade Span Adjustment.

The District does not have a Transportation Program, therefore, we did not perform any procedures related to Transportation Maintenance of Effort.

The District does not have any Regional Occupational Centers or Programs, therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not have any Adult Education, therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

We did not perform testing of expenditures for the California Clean Energy Jobs Act because no expenditures were incurred during the year.

The District does not offer After School Education and Safety Programs, therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District does not have any Charter Schools, therefore, we did not perform any procedures related to the Charter Schools program.

*Vavrinek, Ture, Day & Co LLP*

Pleasanton, California  
December 3, 2015

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

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**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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# WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

### 2015-001 Code 30000 Scholarship Accounts

#### **Criteria or Specific Requirements**

Internal controls should be designed to ensure that all financial activity is captured and recorded in the correct period.

#### **Condition**

Scholarship accounts balances had not been updated from the prior year to reflect current year activity.

#### **Questioned costs**

Not applicable.

#### **Context**

The unrecorded activity was noted during our analysis of scholarship fund cash accounts.

#### **Effect**

Cash, revenues, and expenses were understated by \$25,581.

#### **Cause**

A key year end closing control was not performed.

#### **Recommendation**

Management should consider methods to ensure all activity is captured and recorded year end.

#### **Corrective Action Plan**

Management agrees with the finding that the District Scholarship account balances in Fund 73 were not updated from the prior year to reflect current year activity. The total Scholarship account balance as of June 30, 2015 was \$367,730.65. This represents an overstatement of \$25,581.35 in Fund 73, cash in bank, as well as the ending fund balance. Additional internal controls will be implemented to insure that all scholarship account balances are reconciled as of June 30 of each fiscal year and that the reconciliations are accessible to District staff prior to the closing of the books for the fiscal year so that the adjusting entry can be accounted for properly.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.