

**WEST SONOMA COUNTY
UNION HIGH SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Governmental Funds - Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Proprietary Fund - Statement of Net Position	24
Proprietary Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Proprietary Fund - Statement of Cash Flows	26
Fiduciary Funds - Statement of Net Position	27
Fiduciary Funds - Statement of Changes in Net Position	28
Notes to Financial Statements	29

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	67
Schedule of Other Post Employment Benefits (OPEB) Funding Progress	68
Schedule of the District's Proportionate Share of the Net Pension Liability	69
Schedule of District Contributions	70
Note to Required Supplementary Information	71

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	73
Local Education Agency Organization Structure	74
Schedule of Average Daily Attendance	75
Schedule of Instructional Time	76
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	77
Schedule of Financial Trends and Analysis	78
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	80
Note to Supplementary Information	81

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	86
Report on State Compliance	88

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	92
Financial Statement Findings	93
Federal Awards Findings and Questioned Costs	94
State Awards Findings and Questioned Costs	95
Summary Schedule of Prior Audit Findings	96

FINANCIAL SECTION



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72 *Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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's discussion and analysis budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district contributions as listed 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 supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 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 1, 2016, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 1, 2016

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

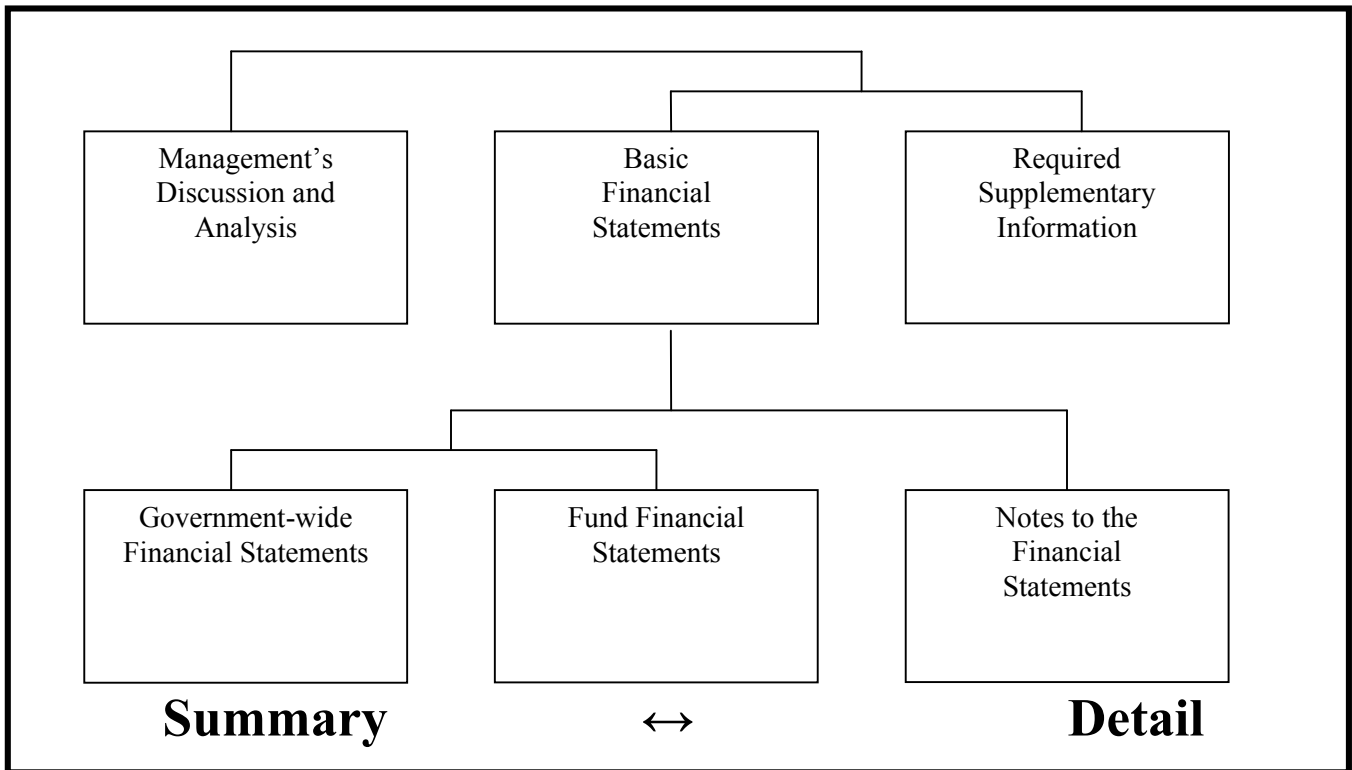
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Components of the Financial Section:



The Financial Statements

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

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, 2016

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, 2016

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(4.2) million for the fiscal year ended June 30, 2016. Of this amount, \$3.3 million was restricted and \$7.3 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		
	2016	2015	Percent Change
Assets			
Cash	\$ 7,423,297	\$ 15,778,537	-52.95%
Current and other assets	1,495,116	966,302	54.73%
Capital assets	47,600,671	37,917,538	25.54%
Accumulated depreciation	(15,246,170)	(14,140,046)	7.82%
Total Assets	41,272,914	40,522,331	1.85%
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	3,065,934	1,104,286	100.00%
Liabilities			
Current liabilities	1,712,634	1,514,453	13.09%
Long-term obligations	42,229,355	41,202,345	2.49%
Total Liabilities	43,941,989	42,716,798	2.87%
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	4,633,163	3,909,949	100.00%
Total Liabilities	4,633,163	3,909,949	100.00%
Net Position			
Net investment in capital assets	7,287,073	6,838,528	6.56%
Restricted	3,264,566	3,729,869	-12.48%
Unrestricted	(14,787,943)	(15,568,527)	-5.01%
Total Net Position	\$ (4,236,304)	\$ (5,000,130)	-15.28%

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The 52.95 percent decrease in cash is mainly due to expenditures of bond proceeds received in the prior year. The 54.73% increase in current and other assets reflects an increase in accounts receivable. The 13.09% increase in current liabilities is due to an increase in accounts payable. The changes in deferred outflows, deferred inflows, and in net pension liability is due to the unfunded PERS and STRS pension obligations.

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 19. 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		
	2016	2015	Percent Change
Revenues			
Program revenues:			
Charges for services	\$ 1,664,468	\$ 1,756,033	-5.21%
Operating grants and contributions	3,073,576	2,924,485	5.10%
Capital grants and contributions	3,069	2,387	28.57%
General revenues:			
Federal and State aid not restricted	9,321,365	7,433,848	25.39%
Property taxes	13,011,772	11,662,473	11.57%
Other general revenues	1,385,846	1,481,591	-6.46%
Total Revenues	28,460,096	25,260,817	12.66%
Expenses			
Instruction	16,190,702	17,152,151	-5.61%
Instruction-Related Services	1,796,573	1,710,436	5.04%
Pupil Services	4,564,671	2,930,475	55.77%
General Administration	1,610,741	1,501,174	7.30%
Plant Services	1,808,282	1,752,371	3.19%
Ancillary Services	455,064	385,814	17.95%
Interest on Long-Term Debt	1,105,604	1,650,852	-33.03%
Other Outgo	164,633	457,191	-63.99%
Total Expenses	27,696,270	27,540,464	0.57%
NET INCREASE (DECREASE) IN NET POSITION	\$ 763,826	\$ (2,279,647)	133.51%

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

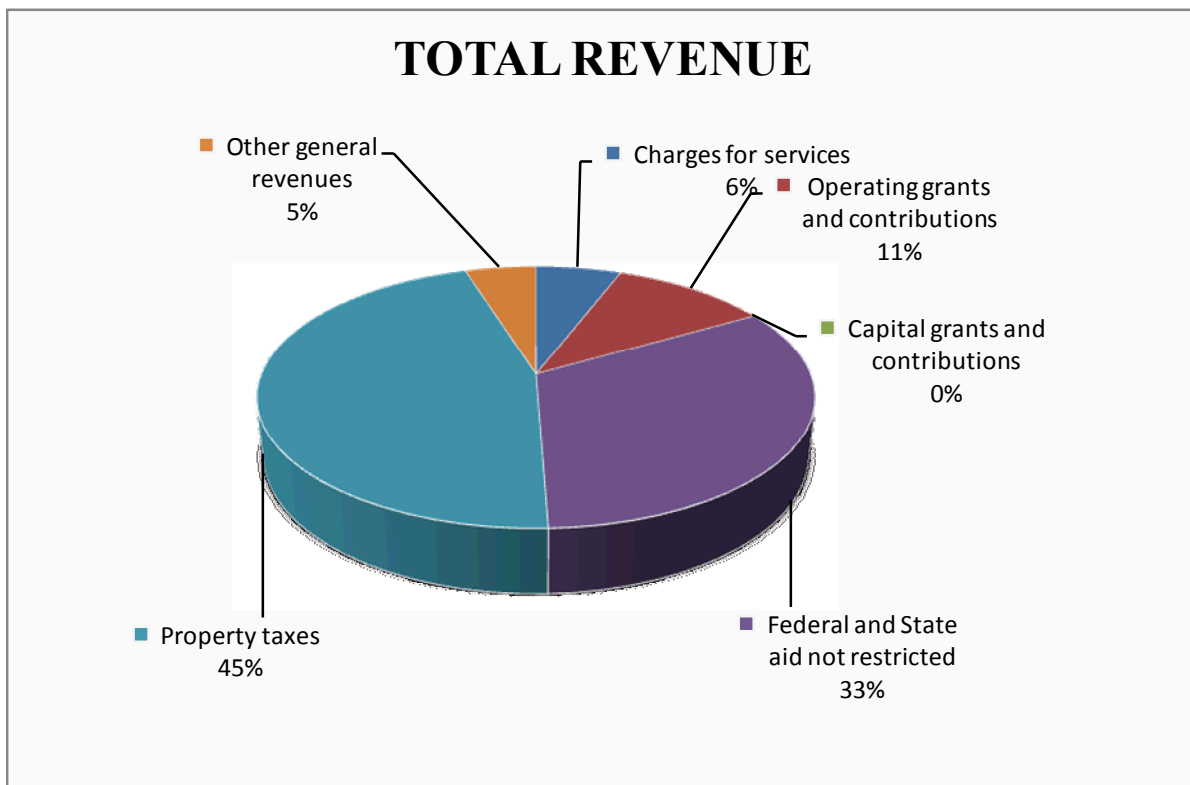
JUNE 30, 2016

Governmental Activities

As reported in the *Statement of Activities* on page 19, the cost of all of our governmental activities this year was \$27.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$13.0 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 \$9.3 million in Federal and State funds, and with other revenues, like interest and general entitlements.

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.

2015/2016 Summary of Revenues for Governmental Functions:

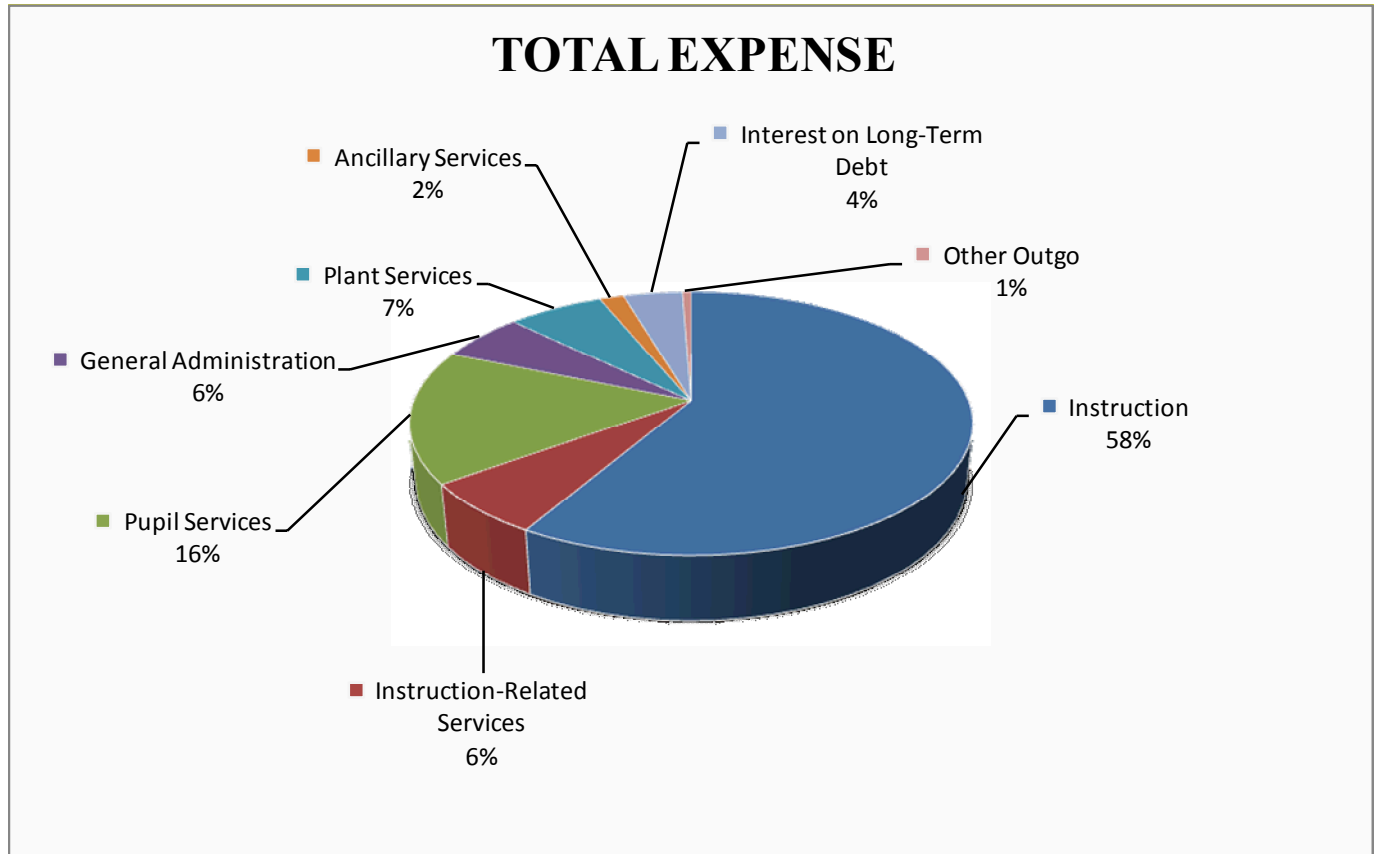


WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

2015/2016 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
	2016	2015	
Instruction	\$ 12,745,599	\$ 13,579,487	-6.14%
Instructional-Related Services	1,644,655	1,594,062	3.17%
Pupil Services	3,521,652	2,085,478	68.87%
General Administration	1,521,850	1,428,500	6.53%
Plant Services	1,807,775	1,752,022	3.18%
Ancillary Services	443,389	371,796	19.26%
Interest on Long-Term Debt	1,105,604	1,650,852	-33.03%
Other Outgo	164,633	395,362	-58.36%
Totals	\$ 22,955,157	\$ 22,857,559	0.43%

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$7.0 million, which is an decrease of \$8.0 million from last year (Table 4).

Table 4

	Balances and Activity		Percent Change
	2016	2015	
Governmental Funds:			
General	\$ 4,228,015	\$ 2,927,056	44.45%
Cafeteria Special Revenue	9,861	38,596	-74.45%
Building	-	8,994,487	-100.00%
Capital Facilities	33,783	548,925	-93.85%
County School Facilities	406,073	403,005	0.76%
Special Reserve Fund for Capital Outlay Projects	213,198	155,206	37.36%
Bond Interest and Redemption	2,116,959	1,904,855	11.13%
Total Governmental	7,007,889	14,972,130	-53.19%
Proprietary:			
Internal Service:			
Self-Insurance	458,046	437,471	4.70%
Total Proprietary	458,046	437,471	4.70%
Fiduciary:			
Scholarship Trust	1,336,839	1,332,683	0.31%
Student Body Fund Agency	402,158	339,422	18.48%
Total Fiduciary	1,738,997	1,672,105	4.00%
Totals	\$ 9,204,932	\$ 17,081,706	-46.11%

The primary reasons for these changes are:

- 1) Our General Fund is our principal operating fund. The fund balance in the General Fund increased by 44.45% over the prior as a result of result of one-time money received from the state and the LCFF add on for transportation.
- 2) The Cafeteria fund reserve level decreased \$28,735. The General fund contributes annually to keep this fund balanced and for 2015-16 the contribution was \$52,500.
- 3) Our capital projects funds decreased \$9.5 million 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, 2016 to match estimated claims.
- 5) There was no significant change in Fiduciary funds in 2015-16.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

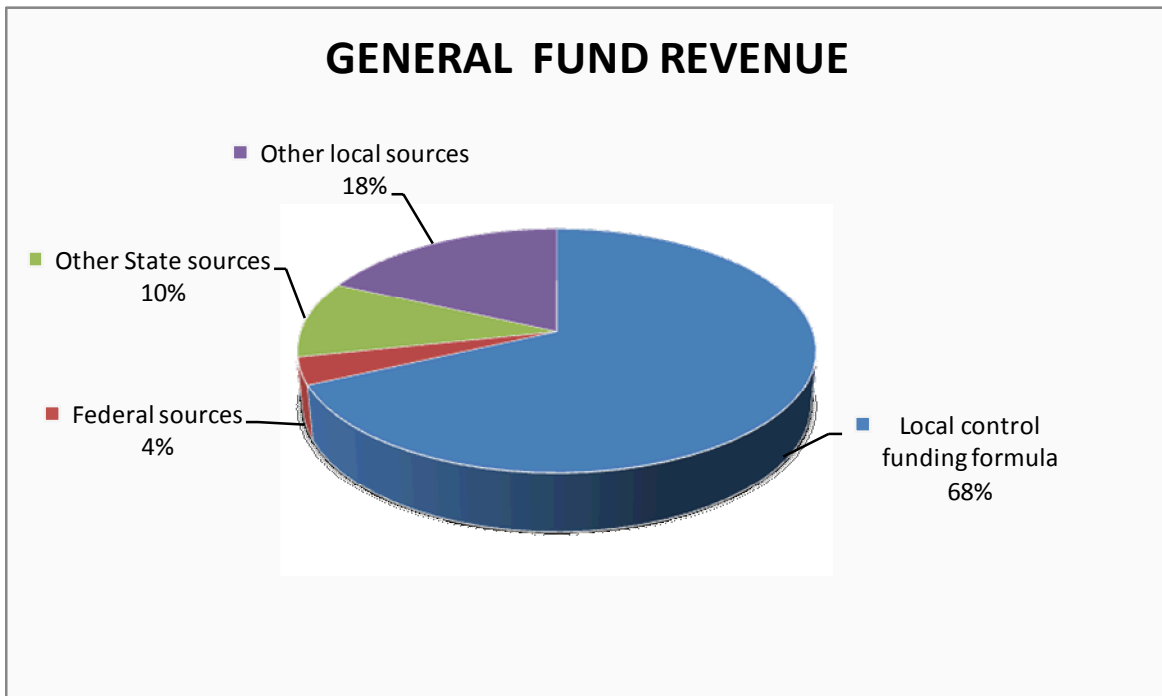
JUNE 30, 2016

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 29, 2016. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66.

The District originally projected a decrease in fund balance of approximately \$252,790. The budget was later amended to reflect a decrease of \$69,007. Revenues were \$50,624 more than expected (a .20% variance), and expenditures were \$713,988 less than projected (a 2.8% variance).

2015/2016 General Fund Revenues

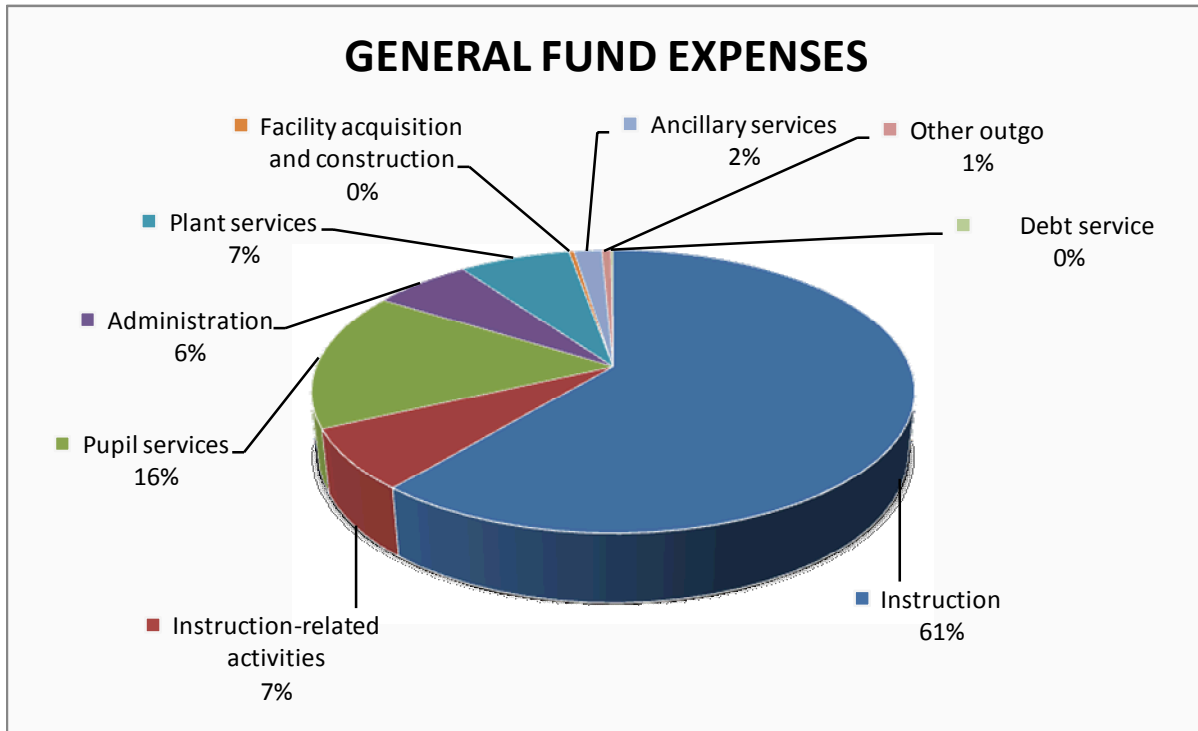


WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

2015/2016 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, 2016, the District had \$32.35 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 36.07 percent from last year's (Table 5).

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Table 5

	Governmental Activities		Percent Change
	2016	2015	
Land	\$ 5,000	\$ 5,000	0.00%
Construction in Progress	211,708	1,489,904	0.00%
Land Improvements	14,845,207	6,393,176	132.20%
Buildings and Improvements	31,916,218	29,406,920	8.53%
Furniture and Equipment	622,538	622,538	0.00%
Accumulated Depreciation	(15,246,170)	(14,140,046)	7.82%
NET CAPITAL ASSETS	\$ 32,354,501	\$ 23,777,492	36.07%

The significant additions to capital assets in the 2015-16 fiscal year were \$8.45 million for Analy and El Molino stadiums and \$2.5 million for Analy band room.

Long-Term Obligations

At the end of this year, the District had \$24.3 million in bonds outstanding versus \$24.8 million last year. In addition, the District had \$15.5 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 Change
	2016	2015	
General obligation bonds payable	\$ 24,260,064	\$ 24,785,193	-2.12%
Other post employment benefits	1,465,691	1,227,117	19.44%
Net pension obligation	15,534,933	14,130,502	100.00%
Early retirement incentive	-	5,858	100.00%
Compensated absences	39,435	43,453	-9.25%
Capital leases	-	20,597	-100.00%
Bond premiums	929,232	989,625	-6.10%
	\$ 42,229,355	\$ 41,202,345	2.49%

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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.

Other obligations include early retirement liabilities and compensated absences payable. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 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 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.
- 2) 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-17 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 0% COLA was applied to the TARGET per ADA, and 54.84% 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 1,919 (prior year P2 funding with adjustments, a reduction of 23 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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Expenditures are based on the following forecasts:

- 1) Staffing levels: Certificated FTE 112.90, Certificated Admin FTE 10.0, Classified FTE 61.0, 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 \$389,515.

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 Chief Business Official, Logan Martin, 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, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 7,423,297
Receivables	1,242,736
Stores inventories	1,020
Other current assets	251,360
Capital assets not depreciated	216,708
Capital assets, net of accumulated depreciation	32,137,793
Total Assets	<u>41,272,914</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>3,065,934</u>
 LIABILITIES	
Accounts payable	1,451,029
Interest payable	260,156
Unearned revenue	1,449
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,080,393
Noncurrent portion of long-term obligations other than pensions	25,614,029
Aggregate net pension liability	15,534,933
Total Liabilities	<u>43,941,989</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>4,633,163</u>
 NET POSITION	
Net investments in capital assets	7,287,073
Restricted for:	
Debt service	1,856,803
Capital projects	317,988
Educational programs	1,079,914
Other activities	9,861
Unrestricted	(14,787,943)
Total Net Position	<u>\$ (4,236,304)</u>

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 16,190,702	\$ 1,032,333	\$ 2,409,701	\$ 3,069	\$ (12,745,599)
Instruction-related activities:					
Supervision of instruction	293,476	25,010	14,361	-	(254,105)
Instructional library, media, and technology	133,486	48,268	2,068	-	(83,150)
School site administration	1,369,611	4,247	57,964	-	(1,307,400)
Pupil services:					
Home-to-school transportation	1,238,598	-	65,007	-	(1,173,591)
Food services	498,859	193,411	216,622	-	(88,826)
All other pupil services	2,827,214	310,766	257,213	-	(2,259,235)
Administration:					
Data processing	207,474	-	-	-	(207,474)
All other administration	1,403,267	50,433	38,458	-	(1,314,376)
Plant services	1,808,282	-	507	-	(1,807,775)
Ancillary services	455,064	-	11,675	-	(443,389)
Interest on long-term obligations	1,105,604	-	-	-	(1,105,604)
Other outgo	164,633	-	-	-	(164,633)
Total Governmental Activities	\$ 27,696,270	\$ 1,664,468	\$ 3,073,576	\$ 3,069	(22,955,157)
General revenues and subventions:					
Property taxes, levied for general purposes					10,039,240
Property taxes, levied for debt service					1,702,383
Taxes levied for other specific purposes					1,270,149
Federal and State aid not restricted to specific purposes					9,321,365
Interest and investment earnings					77,565
Transfers					55,393
Miscellaneous					1,252,888
					Subtotal, General Revenues
					23,718,983
					Change in Net Position
					763,826
					Net Position - Beginning
					(5,000,130)
					Net Position - Ending
					\$ (4,236,304)

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

	General Fund	Building Funds	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 3,873,777	\$ 121,868	\$328,057	\$ 2,116,959	\$ 522,996	\$ 6,963,657
Receivables	1,189,148	-	-	-	53,532	1,242,680
Due from other funds	70,000	294,274	-	-	121,984	486,258
Prepaid expenses	208,184	-	-	-	-	208,184
Stores inventories	-	-	-	-	1,020	1,020
Total Assets	\$ 5,341,109	\$ 416,142	\$328,057	\$ 2,116,959	\$ 699,532	\$ 8,901,799
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 989,661	\$ 416,142	\$ -	\$ -	\$ 400	\$ 1,406,203
Due to other funds	121,984	-	294,274	-	70,000	486,258
Unearned revenue	1,449	-	-	-	-	1,449
Total Liabilities	1,113,094	416,142	294,274	-	70,400	1,893,910
Fund Balances:						
Nonspendable	215,034	-	-	-	1,020	216,054
Restricted	1,079,914	-	33,783	2,116,959	414,914	3,645,570
Assigned	166,093	-	-	-	213,198	379,291
Unassigned	2,766,974	-	-	-	-	2,766,974
Total Fund Balance	4,228,015	-	33,783	2,116,959	629,132	7,007,889
Total Liabilities and Fund Balances	\$ 5,341,109	\$ 416,142	\$328,057	\$ 2,116,959	\$ 699,532	\$ 8,901,799

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, 2016**

Total Fund Balance - Governmental Funds	\$ 7,007,889
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 47,600,671
Accumulated depreciation is	<u>(15,246,170)</u>
Net Capital Assets	32,354,501
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(260,156)
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.	458,046
The difference between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(4,633,163)
Expenditures related to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	3,065,934
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	(24,260,064)
Bond premiums, net of amortization	(929,232)
Other Postemployment Benefits	(1,465,691)
Net pension liability	(15,534,933)
Compensated absences (vacations)	<u>(39,435)</u>
Total Long-Term Obligations	<u>(42,229,355)</u>
Total Net Position - Governmental Activities	<u><u>\$ (4,236,304)</u></u>

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, 2016**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local control funding formula	\$ 17,726,128	\$ -	\$ -	\$ -	\$ -	\$ 17,726,128
Federal sources	926,453	-	-	61,964	198,410	1,186,827
Other State sources	2,630,410	-	-	13,848	18,414	2,662,672
Other local sources	4,722,649	59,509	71,460	1,711,582	319,269	6,884,469
Total Revenues	26,005,640	59,509	71,460	1,787,394	536,093	28,460,096
EXPENDITURES						
Current						
Instruction	15,092,961	-	-	-	-	15,092,961
Instruction-related activities:						
Supervision of instruction	202,987	-	-	-	-	202,987
Instructional library, media and technology	135,478	-	-	-	-	135,478
School site administration	1,388,696	-	-	-	-	1,388,696
Pupil services:						
Home-to-school transportation	1,255,926	-	-	-	-	1,255,926
Food services	14,274	-	-	-	491,268	505,542
All other pupil services	2,651,557	-	-	-	-	2,651,557
Administration:						
Data processing	210,404	-	-	-	-	210,404
All other administration	1,328,892	-	-	-	-	1,328,892
Plant services	1,744,203	12,325	-	-	-	1,756,528
Facility acquisition and construction	77,391	9,041,671	564,069	-	-	9,683,131
Ancillary services	437,417	-	-	-	-	437,417
Other outgo	142,100	-	22,533	-	-	164,633
Debt service						
Principal	33,271	-	-	789,299	-	822,570
Interest and other	1,624	-	-	785,991	-	787,615
Total Expenditures	24,717,181	9,053,996	586,602	1,575,290	491,268	36,424,337
Excess (Deficiency) of Revenues Over Expenditures	1,288,459	(8,994,487)	(515,142)	212,104	44,825	(7,964,241)
Other Financing Sources (Uses)						
Transfers in	65,000	-	-	-	52,500	117,500
Transfers out	(52,500)	-	-	-	(65,000)	(117,500)
Net Financing Sources (Uses)	12,500	-	-	-	(12,500)	-
NET CHANGE IN FUND BALANCES	1,300,959	(8,994,487)	(515,142)	212,104	32,325	(7,964,241)
Fund Balance - Beginning	2,927,056	8,994,487	548,925	1,904,855	596,807	14,972,130
Fund Balance - Ending	\$ 4,228,015	\$ -	\$ 33,783	\$ 2,116,959	\$ 629,132	\$ 7,007,889

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (7,964,241)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlay exceeds depreciation in the period.	
Depreciation expense	\$ (1,106,124)
Capital outlays	<u>9,683,132</u>
Net Expense Adjustment	8,577,008
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).	4,018
The unfunded 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.	(238,574)
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
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.	(464,871)
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.	60,393
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.	990,000
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.	20,597
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.	(165,996)
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.	(80,941)
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>20,575</u>
Change in Net Position of Governmental Activities	<u><u>\$ 763,826</u></u>

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, 2016**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 459,640
Receivables	56
Other current assets	43,176
Total Assets	<u>502,872</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	44,826
Total Liabilities	<u>44,826</u>
 NET POSITION	
Unrestricted	458,046
Total Net Position	<u>\$ 458,046</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, 2016**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-District Premium	\$ 443,551
Total Operating Revenues	<u>443,551</u>
OPERATING EXPENSES	
Other operating cost	425,840
Total Operating Expenses	<u>425,840</u>
Operating Income	17,711
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,864
Change in Net Position	<u>20,575</u>
Total Net Position - Beginning	437,471
Total Net Position - Ending	<u><u>\$ 458,046</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, 2016**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 490,954
Cash payments to suppliers of services	(468,894)
Net Cash Provided by Operating Activities	<u>22,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,864
Net Cash Provided by Investing Activities	<u>2,864</u>
Net Increase in Cash and Cash Equivalents	24,924
Cash and Cash Equivalents - Beginning	434,716
Cash and Cash Equivalents - Ending	<u><u>\$ 459,640</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 17,711
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	(43,054)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 22,060</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, 2016**

	<u>Scholarship Trust</u>	<u>Agency Funds</u>
ASSETS		
Deposits and investments	\$ 1,336,839	\$ 402,158
Total Assets	<u>\$ 1,336,839</u>	<u>\$ 402,158</u>
 LIABILITIES		
Due to student groups	\$ -	\$ 402,158
Total Liabilities	<u>\$ -</u>	<u>\$ 402,158</u>
 NET POSITION		
Restricted for scholarships	\$ 1,336,839	
Total Net Position	<u>\$ 1,336,839</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, 2016**

	Scholarship Trust
ADDITIONS	
Private donations	\$ 1,931
Interest	7,331
Total Additions	<u>9,262</u>
 DEDUCTIONS	
Other expenditures	
Scholarships awarded	5,106
Total Deductions	<u>5,106</u>
 Change in Net Position	 4,156
Net Position - Beginning	<u>1,332,683</u>
Net Position - Ending	<u>\$ 1,336,839</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, 2016

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.

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).

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, 2016

Non-Major Governmental Funds

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

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).

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

JUNE 30, 2016

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

JUNE 30, 2016

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

JUNE 30, 2016

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, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in 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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. 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 for pension related items

Pensions

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

Fund Balances – Governmental Funds

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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 \$3,264,566 of net position 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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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 1st 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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Changes in Accounting Principles

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

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

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

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

New Accounting Pronouncements

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 7,423,297
Fiduciary funds	1,738,997
Total Deposits and Investments	<u>\$ 9,162,294</u>

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

Cash on hand and in banks	\$ 778,054
Cash in revolving	6,850
Investments	8,377,390
Total Deposits and Investments	<u>\$ 9,162,294</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, 2016

General Authorizations

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

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

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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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	\$ 8,377,390	2.27

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, 2016.

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 - FAIR VALUE MEASUREMENTS

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$8,377,390	\$ -	\$ -	\$ -	\$ 8,377,390

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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	\$ 182,380	\$ 49,448	\$ 231,828
State Government			
Categorical aid	705,907	4,084	709,991
Lottery	221,905	-	221,905
Other Local Sources	78,956	-	78,956
Total	\$ 1,189,148	\$ 53,532	\$ 1,242,680

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in Progress	1,489,904	-	1,278,196	211,708
Total Capital Assets				
Not Being Depreciated	<u>1,494,904</u>	<u>-</u>	<u>1,278,196</u>	<u>216,708</u>
Capital Assets Being Depreciated:				
Land Improvements	6,393,176	8,452,031	-	14,845,207
Buildings and Improvements	29,406,920	2,509,298	-	31,916,218
Furniture and Equipment	622,538	-	-	622,538
Total Capital Assets Being				
Depreciated	<u>36,422,634</u>	<u>10,961,329</u>	<u>-</u>	<u>47,383,963</u>
Total Capital Assets	<u>37,917,538</u>	<u>10,961,329</u>	<u>1,278,196</u>	<u>47,600,671</u>
Less Accumulated Depreciation:				
Land Improvements	1,490,028	284,348	-	1,774,376
Buildings and Improvements	12,071,992	804,199	-	12,876,191
Furniture and Equipment	578,026	17,577	-	595,603
Total Accumulated Depreciation	<u>14,140,046</u>	<u>1,106,124</u>	<u>-</u>	<u>15,246,170</u>
Total Capital Assets Being				
Depreciated, Net	<u>22,282,588</u>	<u>9,855,205</u>	<u>-</u>	<u>32,137,793</u>
Governmental Activities Capital				
Assets, Net	<u>\$ 23,777,492</u>	<u>\$ 9,855,205</u>	<u>\$ 1,278,196</u>	<u>\$ 32,354,501</u>

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

Governmental Activities	
Instruction	\$ 675,948
Supervision of instruction	77,352
All other pupil services	175,638
Ancillary services	19,590
All other administration	68,938
Plant services	80,731
Unallocated	7,927
Total Depreciation Expenses Governmental Activities	<u>\$ 1,106,124</u>

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

Due to	Due From			Total
	General Fund	Building Fund	Non-Major Funds	
General Fund	\$ -	\$ -	\$ 121,984	\$ 121,984
Capital Facilities Fund	-	294,274	-	294,274
Non-Major Governmental Funds	70,000	-	-	70,000
Total	<u>\$ 70,000</u>	<u>\$ 294,274</u>	<u>\$ 121,984</u>	<u>\$ 486,258</u>

Operating Transfers

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

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 52,500	\$ 52,500
Non-Major Governmental Funds	65,000	-	65,000
Total	<u>\$ 65,000</u>	<u>\$ 52,500</u>	<u>\$ 117,500</u>

The General Fund transferred to the Cafeteria Fund for the budgeted contribution to the Cafeteria Fund.

\$ 52,500

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

65,000

Total

\$ 117,500

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 862,121	\$ 416,142	\$ 400	\$ 1,278,663
Salaries and benefits	127,540	-	-	127,540
Total	<u>\$ 989,661</u>	<u>\$ 416,142</u>	<u>\$ 400</u>	<u>\$ 1,406,203</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 24,785,193	\$ 464,871	\$ 990,000	\$ 24,260,064	\$ 1,020,000
Other post employment benefits	1,227,117	568,241	329,667	1,465,691	-
Net pension obligation	14,130,502	1,404,431	-	15,534,933	-
Early retirement incentive	5,858	-	5,858	-	-
Compensated absences	43,453	39,435	43,453	39,435	-
Capital leases	20,597	-	20,597	-	-
Bond premiums	989,625	-	60,393	929,232	60,393
	<u>\$ 41,202,345</u>	<u>\$ 2,476,978</u>	<u>\$ 1,449,968</u>	<u>\$ 42,229,355</u>	<u>\$ 1,080,393</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.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Accretion / Adjustments	Redeemed	Bonds Outstanding June 30, 2016
9/1/1998	9/1/2023	4.25 - 7.25%	\$4,330,000	\$ 2,210,000	\$ -	\$ 205,000	\$ 2,005,000
9/1/1998	9/1/2021	4.35 - 4.90%	1,969,372	2,188,781	(6,406)	325,000	1,857,375
2/17/2005	8/15/2021	3.00 - 4.25%	5,645,000	365,000	-	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	7,496,412	471,277	55,000	7,912,689
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	-	40,000	2,565,000
				<u>\$ 24,785,193</u>	<u>\$ 464,871</u>	<u>\$ 990,000</u>	<u>\$ 24,260,064</u>

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2046 as follows:

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2017	\$ 778,805	\$ 241,195	\$ 715,103	\$ 1,735,103
2018	847,027	267,973	691,098	1,806,098
2019	907,968	292,032	658,194	1,858,194
2020	986,701	323,299	619,640	1,929,640
2021	1,064,568	350,432	576,987	1,991,987
2022-2026	3,284,538	350,462	2,402,140	6,037,140
2027-2031	1,700,418	2,289,582	1,983,094	5,973,094
2032-2036	1,655,484	5,934,516	1,916,250	9,506,250
2037-2041	1,426,746	8,258,254	1,916,250	11,601,250
2042-2046	8,505,711	974,289	1,054,375	10,534,375
Total	21,157,966	<u>\$ 19,282,034</u>	<u>\$ 12,533,131</u>	<u>\$ 52,973,131</u>
Accumulated accreted interest	3,102,098			
	<u>\$ 24,260,064</u>			

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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>2017</u>	<u>\$ 20,597</u>
Total	20,597
Less: Amount Representing Interest	(20,597)
Present Value of Minimum Lease Payments	<u><u>\$ -</u></u>

Leased equipment under capital leases in capital assets at June 30, 2016, 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, 2016, amounted to \$39,435.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$568,241, and contributions made by the District during the year were \$329,667. As of June 30, 2016, the net OPEB obligation was \$1,469,651. See Note 10 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, 2016**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 6,850	\$ -	\$ -	\$ -	\$ 6,850
Stores inventories	-	-	-	1,020	1,020
Reserve for prepaid	208,184	-	-	-	208,184
Total Nonspendable	<u>\$215,034</u>	<u>-</u>	<u>-</u>	<u>1,020</u>	<u>216,054</u>
Restricted					
Legally restricted programs	1,079,914	-	-	414,914	1,494,828
Capital projects	-	33,783	-	-	33,783
Debt services	-	-	2,116,959	-	2,116,959
Total Restricted	<u>1,079,914</u>	<u>33,783</u>	<u>2,116,959</u>	<u>414,914</u>	<u>3,645,570</u>
Assigned					
Capital projects	-	-	-	213,198	213,198
Deferred maintenance	166,093	-	-	-	166,093
Total Assigned	<u>166,093</u>	<u>-</u>	<u>-</u>	<u>213,198</u>	<u>379,291</u>
Unassigned					
Reserve for economic uncertainties	742,521	-	-	-	742,521
Remaining unassigned	2,024,453	-	-	-	2,024,453
Total Unassigned	<u>2,766,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,766,974</u>
Total	<u>\$ 4,228,015</u>	<u>\$ 33,783</u>	<u>\$ 2,116,959</u>	<u>\$ 629,132</u>	<u>\$ 7,007,889</u>

NOTE 10- 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 22 retirees and beneficiaries currently receiving benefits, no terminated plan members entitled to but not yet receiving benefits, and 196 active plan members.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

	<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 2015-16, the District contributed \$329,667 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	\$ 568,241
Contributions made	(329,667)
Increase in net OPEB obligation	<u>238,574</u>
Net OPEB obligation, beginning of year	<u>1,227,117</u>
Net OPEB obligation, end of year	<u><u>\$ 1,465,691</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
2014	\$ 587,581	\$ 223,501	38%	\$ 900,159
2015	587,581	260,623	44%	1,227,117
2016	568,241	329,667	58%	1,465,691

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/1/2015	-	3,688,235	3,688,235	0.00%	11,520,113	32%

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, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 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, 2015, was 24 years. At December 1, 2015, there were no assets held in Trust.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with 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 2016, 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 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflow of Resources	Collective Deferred Inflow of Resources	Collective Pension Expense
CalSTRS	\$ 11,979,866	\$ 1,888,554	\$ 3,249,497	\$ 799,355
CalPERS	3,555,067	1,177,380	1,383,666	119,339
Total	\$ 15,534,933	\$ 3,065,934	\$ 4,633,163	\$ 918,694

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.13%	7.13%

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$944,654.

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

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

District's proportionate share of net pension liability	\$	11,979,866
State's proportionate share of the net pension liability associated with the District		6,336,029
Total	\$	<u>18,315,895</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0178 percent and 0.0196 percent, resulting in a net decrease in the proportionate share of 0.018 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$799,355. In addition, the District recognized pension expense and revenue of \$631,703 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 944,654	\$ -
Net change in proportionate share of net pension liability	-	1,128,856
Difference between projected and actual earnings on pension plan investments	943,901	1,920,455
Differences between expected and actual experience in the measurement of the total pension liability	-	200,186
Total	<u>\$ 1,888,555</u>	<u>\$ 3,049,311</u>

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 subsequent fiscal year. 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,	Deferred Outflows/(Inflows) of Resources
2016	\$ (404,176)
2017	(404,176)
2018	(404,176)
2019	235,974
Total	<u>\$ (976,554)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (221,507)
2018	(221,507)
2019	(221,507)
2020	(221,507)
2021	(221,507)
Thereafter	(221,507)
Total	<u>\$ (1,329,042)</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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:

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 18,088,665
Current discount rate (7.60%)	\$ 11,979,866
1% increase (8.60%)	\$ 6,902,961

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.000%	6.000%
Required employee contribution rate	11.847%	11.874%
Required employer contribution rate		

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$327,606.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$3,555,067. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0241 percent and 0.0236 percent, resulting in a net increase in the proportionate share of 0.0005 percent

For the year ended June 30, 2016, the District recognized pension expense of \$119,339. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 327,606	\$ -
Net change in proportionate share of net pension liability	-	1,810,910
Differences between expected and actual experience in the measurement of the total pension liability	583,882	705,610
Difference between projected and actual earnings on pension plan investments	203,177	-
Change in assumptions	-	218,433
Total	<u>\$ 1,114,665</u>	<u>\$ 2,734,953</u>

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 subsequent fiscal year. 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,	Deferred Outflows/(Inflows) of Resources
2017	\$ (89,233)
2018	(89,233)
2019	(89,233)
2020	145,971
Total	<u>\$ (121,728)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (701,033)
2018	(701,033)
2019	(424,100)
Total	<u>\$ (1,826,166)</u>

Actuarial Methods and Assumptions

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

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

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 5,786,168
Current discount rate (7.65%)	\$ 3,555,067
1% increase (8.65%)	\$ 1,699,758

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$631,703 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. 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 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is 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, 2016.

Construction and Other Commitments

As of June 30, 2016, the District had the following commitments:

Description	Remaining Construction Commitment	Expected Date of Completion
Bond Project - Analy Stadium - Architect	\$ 7,429	12/31/16
Bond Project - El Molino Stadium - Architect	8,879	12/31/16
Bond Project - El Molino Performing Arts - Architect	433,896	Undetermined
Bond Project - El Molino Performing Arts - Management	232,043	Undetermined
	<u>\$ 682,247</u>	

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 14- 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, 2016, the District made payments of \$405,735 and \$1,249,581 to RESIG and WSCTJPA, respectively for property and liability coverage and transportation services.

REQUIRED SUPPLEMENTARY INFORMATION

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive
				(Negative)
				Final
				to Actual
REVENUES				
Local control funding formula	\$ 17,551,770	\$ 17,613,590	\$ 17,726,128	\$ 112,538
Federal sources	1,218,301	1,203,180	926,453	(276,727)
Other state sources	1,812,143	2,631,889	2,630,410	(1,479)
Other local sources	4,217,595	4,506,357	4,722,649	216,292
Total Revenues	24,799,809	25,955,016	26,005,640	50,624
EXPENDITURES				
Current				
Certificated salaries	9,559,871	9,613,629	9,592,439	21,190
Classified salaries	2,646,515	2,603,249	2,559,523	43,726
Employee benefits	6,184,663	6,704,600	6,687,125	17,475
Books and supplies	846,634	1,102,202	977,028	125,174
Services and operating expenditures	3,816,092	4,962,594	4,717,149	245,445
Other outgo	1,390,828	444,895	142,100	302,795
Capital outlay	-	-	6,922	(6,922)
Debt service	-	-	34,895	(34,895)
Total Expenditures	24,444,603	25,431,169	24,717,181	713,988
Excess (Deficiency) of Revenues				
Over Expenditures	355,206	523,847	1,288,459	764,612
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	65,000	-
Other sources	(672,996)	(657,854)	-	657,854
Transfers out	-	-	(52,500)	(52,500)
Net Financing Uses	(607,996)	(592,854)	12,500	605,354
NET CHANGE IN FUND BALANCES	(252,790)	(69,007)	1,300,959	1,369,966
Fund Balance - Beginning	2,927,056	2,927,056	2,927,056	-
Fund Balance - Ending	\$ 2,674,266	\$ 2,858,049	\$ 4,228,015	\$ 1,369,966

See accompanying note to required supplementary information.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)	
12/1/2011	\$ -	\$ 2,830,598	\$ 2,830,598	\$ -	\$ 10,658,846	27%	
1/1/2013	-	4,019,849	4,019,849	-	11,020,810	36%	
12/1/2015	-	3,688,235	3,688,235	-	11,520,113	32%	

See accompanying note to required supplementary information.

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, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0178%</u>	<u>0.0196%</u>
District's proportionate share of the net pension liability	\$ 11,979,866	\$ 11,455,254
State's proportionate share of the net pension liability associated with the District	<u>6,336,029</u>	<u>6,917,177</u>
Total	<u><u>\$ 18,315,895</u></u>	<u><u>\$ 18,372,431</u></u>
District's covered - employee payroll	<u>\$ 8,885,419</u>	<u>\$ 8,564,473</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>134.83%</u>	<u>133.75%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
 CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0241%</u>	<u>0.0236%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 3,555,067</u>	<u>\$ 3,640,227</u>
District's covered - employee payroll	<u>\$ 2,670,396</u>	<u>\$ 2,474,620</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>133.13%</u>	<u>147.10%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 944,654	\$ 720,317
Contributions in relation to the contractually required contribution	(944,654)	(720,317)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 8,877,623</u>	<u>\$ 8,885,419</u>
Contributions as a percentage of covered - employee payroll	<u>-10.64%</u>	<u>-8.11%</u>
CalPERS		
Contractually required contribution	\$ 327,606	\$ 283,050
Contributions in relation to the contractually required contribution	(327,606)	(283,050)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 2,765,306</u>	<u>\$ 2,670,395</u>
Contributions as a percentage of covered - employee payroll	<u>-11.85%</u>	<u>-10.60%</u>

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

See accompanying note to required supplementary information.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Special Education (IDEA) - State Grant Cluster			
Basic Local Assistance Entitlement, Part B, Sec. 611	84.027	13379	\$ 331,956
Preschool Grant, Part B, Sec. 619	84.173	13430	17,058
Preschool Local Entitlement, Part B, Sec. 611	84.027A	13682	23,580
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	156,559
Total Special Education Cluster			<u>529,153</u>
No Child Left Behind			
Title II - Part A, Improving Teacher Quality	84.367	14341	45,014
Title III - Immigrant Education Program	84.365	14346	1,457
Title III - Limited English Proficient (LEP) Student Program	84.365	10084	5,331
Workability II, Transitions Partnership	84.158	10006	79,888
Vocational Educational Grants			
Technology Secondary II C, Section 131	84.048	13924	31,508
Advanced Placement Grant	84.158	25008	2,667
Total U.S. Department of Education			<u>695,018</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	10013	96,575
Medi-Cal Administrative Assistance (MAA)	93.778	10060	134,862
Total U.S. Department of Health and Human Services			<u>231,437</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch	10.555	13390	125,216
National School Lunch Program - Performance Based	10.555	13524	4,274
School Needy Breakfast	10.553	13526	68,920
Commodities ^[1]	10.558	^[2]	15,583
Total U.S. Department of Agriculture			<u>213,993</u>
Total Expenditures of Federal Awards			<u>\$ 1,140,448</u>

^[1] Amount not reported in financial statements.

^[2] 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, 2016

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. Kellie Noe	President	December 2020
Mr. Theodore Walker	Vice-President	December 2020
Ms. Lori Bruhner	Clerk	December 2018
Mr. David Stecher	Trustee	December 2018
Ms. Diane Landry	Trustee	December 2016

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Dr. Steven Kellner	Superintendent
Ms. Denise Calvert (to June 30, 2016)	Interim Business Manager
Mr. Logan Martin (as of July 1, 2016)	Chief Business Official

See accompanying note to supplementary information.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	15.01	15.99
Fourth through sixth	10.65	9.69
Seventh and eighth	4.83	4.76
Ninth through twelfth	1,830.19	1,818.00
Total Regular ADA	<u>1,860.68</u>	<u>1,848.44</u>
Extended Year Special Education		
Ninth through twelfth	1.14	1.14
Total Extended Year Special Education	<u>1.14</u>	<u>1.14</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	13.08	17.73
Total Special Education, Nonpublic, Nonsectarian Schools	<u>13.08</u>	<u>17.73</u>
Total ADA	<u><u>1,874.90</u></u>	<u><u>1,867.31</u></u>

See accompanying note to supplementary information.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2015-2016 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	65,115	180	Not applicable	In compliance
Grade 10	64,800	65,115	180	Not applicable	In compliance
Grade 11	64,800	65,115	180	Not applicable	In compliance
Grade 12	64,800	65,115	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, 2016

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, 2016, Unaudited Actuals	
Increase (Decrease) in:	\$ 25,209,058
General obligation bonds	562,658
Other post employment benefits	(6,526)
Net pension obligation	15,534,933
Other long term debt - Bond premiums	929,232
Balance, June 30, 2016, Audited Financial Statement	<u><u>\$ 42,229,355</u></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, 2016**

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$ 23,708,965	\$ 26,005,640	\$ 22,721,488	\$ 22,068,745
Other sources	65,000	65,000	65,000	65,000
Total Revenues and Other Sources	23,773,965	26,070,640	22,786,488	22,133,754
Expenditures	24,358,665	24,717,181	23,410,966	21,940,125
Other uses and transfers out	171,067	52,500	60,000	95,000
Total Expenditures and Other Uses	24,529,732	24,769,681	23,470,966	22,035,125
INCREASE (DECREASE) IN FUND BALANCE	\$ (755,767)	\$ 1,300,959	\$ (684,478)	\$ 98,629
ENDING FUND BALANCE	\$ 3,472,248	\$ 4,228,015	\$ 2,927,056	\$ 3,611,534
AVAILABLE RESERVES ²	\$ 2,172,652	\$ 2,766,974	\$ 1,715,232	\$ 2,342,180
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	8.86%	11.17%	7.46%	10.87%
LONG-TERM OBLIGATIONS	\$ 41,148,462	\$ 42,229,355	\$ 41,202,345	\$ 18,433,322
K-12 AVERAGE DAILY ATTENDANCE AT P-2	1,825	1,875	1,943	1,986

The General Fund balance has increased by \$616,481 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$755,767 (18percent). 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 one of the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year.

Average daily attendance (ADA) has decreased by 111 over the past two years. A decrease of approximately 50 ADA is expected during 2016-17.

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

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

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

⁴ 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, 2016**

	<u>Cafeteria Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Deposits and investments	\$ 25,709	\$ 406,073	\$ 91,214	\$ 522,996
Receivables	53,532	-	-	53,532
Due from other funds	-	-	121,984	121,984
Stores inventories	1,020	-	-	1,020
Total Assets	<u>\$ 80,261</u>	<u>\$ 406,073</u>	<u>\$ 213,198</u>	<u>\$ 699,532</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 400	\$ -	\$ -	\$ 400
Due to other funds	70,000	-	-	70,000
Total Liabilities	<u>70,400</u>	<u>-</u>	<u>-</u>	<u>70,400</u>
Fund Balances:				
Nonspendable	1,020	-	-	1,020
Restricted	8,841	406,073	-	414,914
Committed	-	-	213,198	213,198
Total Fund Balance	<u>9,861</u>	<u>406,073</u>	<u>213,198</u>	<u>629,132</u>
Total Liabilities and Fund Balances	<u>\$ 80,261</u>	<u>\$ 406,073</u>	<u>\$ 213,198</u>	<u>\$ 699,532</u>

See accompanying note to supplementary information.

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, 2016**

	Cafeteria Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 198,410	\$ -	\$ -	\$ 198,410
Other state sources	18,414	-	-	18,414
Other local sources	193,209	3,068	122,992	319,269
Total Revenues	410,033	3,068	122,992	536,093
EXPENDITURES				
Current				
Pupil services:				
Food services	491,268	-	-	491,268
Total Expenditures	491,268	-	-	491,268
Excess (Deficiency) of				
Revenues Over Expenditures	(81,235)	3,068	122,992	44,825
Other Financing Sources (Uses)				
Transfers in	52,500	-	-	52,500
Transfers out	-	-	(65,000)	(65,000)
Net Financing Sources (Uses)	52,500	-	(65,000)	(12,500)
NET CHANGE IN FUND BALANCES				
	(28,735)	3,068	57,992	32,325
Fund Balance - Beginning	38,596	403,005	155,206	596,807
Fund Balance - Ending	\$ 9,861	\$ 406,073	\$ 213,198	\$ 629,132

See accompanying note to supplementary information.

WEST SONOMA COUNTY HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,186,827
Federal interest subsidy		(61,962)
Commodities not recorded in financial statements		15,583
Total Schedule of Expenditures of Federal Awards		<u>\$ 1,140,448</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, 2016

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.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
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, 2016, 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 1, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 Union 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 Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Sonoma County Union High School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of This Report

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 1, 2016



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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 1, 2016



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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the West Sonoma County Union High School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 Programs

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, 2016.

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

The District is a High School District that does not offer Kindergarten through third grade courses, therefore, we did not perform procedures related to Kindergarten Continuation or K-3 grade span adjustment programs.

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 did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

The District does not offer any Independent Study Course Based curriculum, therefore, we did not perform any procedures related to the Independent Study – Course Based program.

The District did not have any schools listed on the immunization assessment report, therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 1, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

STATE AWARDS

Type of auditor's report issued on compliance for 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, 2016**

None reported.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

None reported.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

None reported.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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

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.

Status

Implemented