

**WEST SONOMA COUNTY UNION-
HIGH SCHOOL DISTRICT**

**PARCEL TAX RESOURCE
FINANCIAL AUDIT
JUNE 30, 2016**

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Sonoma County Union High School District's (the District) parcel tax resources, as of and for the year ended June 30, 2016, and the related notes to the 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 statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the parcel tax resources of the West Sonoma County Union High School District at June 30, 2016, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the parcel tax resources, and are not intended to present fairly the financial position and changes in financial position of West Sonoma County Union High School District in accordance with accounting principles generally accepted in the United States of America.

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 District Parcel Tax Resource's (Measure K) 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Vavinek, Ture, Day & Co LLP

Pleasanton, California
December 1, 2016

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

**PARCEL TAX RESOURCE
BALANCE SHEET
JUNE 30, 2016**

ASSETS

Current Assets

| | |
|----------------------|-------------------|
| Cash and investments | \$ 265,447 |
| Total Assets | <u>\$ 265,447</u> |

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

| | |
|------------------|-------------|
| Accounts payable | <u>\$ -</u> |
|------------------|-------------|

FUND EQUITY

| | |
|--|-------------------|
| Restricted | <u>265,447</u> |
| Total Fund Equity | <u>265,447</u> |
| Total Liabilities and Fund Equity | <u>\$ 265,447</u> |

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

**PARCEL TAX RESOURCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES

| | |
|-----------------------|------------------|
| Parcel tax revenue | \$ 1,148,165 |
| Other local revenue | 1,043 |
| Total Revenues | <u>1,149,208</u> |

EXPENDITURES

| | |
|-------------------------------------|------------------|
| Current Expenditures | |
| Certificated salaries | 673,573 |
| Classified salaries | 156,401 |
| Benefits | 362,477 |
| Services and operating expenditures | 20,470 |
| Total Expenditures | <u>1,212,921</u> |

| | |
|---|-------------------|
| EXCESS OF REVENUES OVER EXPENDITURES | (63,713) |
| FUND BALANCE, Beginning of Year | <u>329,160</u> |
| FUND BALANCE, End of Year | <u>\$ 265,447</u> |

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

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

PARCEL TAX RESOURCE NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the West Sonoma County Union High School District's Parcel Tax Resource (the Resource) conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The West Sonoma County Union High School District Parcel Tax Resources account for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

These financial statements report the financial activities of the Resource of the West Sonoma County Union High School District. The financial statements include only the Resource of the West Sonoma County Union High School District. This resource was established to account for the expenditures of parcel tax measures issued under Measure K election of November 2012. These financial statements are not intended to present fairly the financial position and results of operations of the West Sonoma County Union High School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Resource are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Resource are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. For the Resource, available means expected to be received within 60 days of fiscal year-end. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on long-term debt, which is recognized when due.

Encumbrances

The Resource utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30 since they do not constitute expenditures or liabilities.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

PARCEL TAX RESOURCE NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Fund Balance - Governmental Funds

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

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

Spending Order

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Supplemental taxes for parcel tax proceeds are collected by the County of Sonoma from all taxable property within the District and deposited into the General Fund of the District. 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 for the District. The District recognizes tax revenues when received.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE #2 - INVESTMENTS

Investment in County Treasury - The Parcel Tax Resource and the District are 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.

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 Parcel tax resource and the District manage exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury at June 30, 2016 was \$265,447, and the weighted average maturity of the pool is 828 days.

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

**PARCEL TAX RESOURCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the 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 | \$ 265,447 | \$ - | \$ - | \$ - | \$ 265,447 |

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

NOTE 4 - COMMITMENTS AND CONTINGENCIES

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.

INDEPENDENT AUDITOR'S REPORT



**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 accompanying financial statements of the West Sonoma County Union High School District (the District) Parcel Tax Resources, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2016.

As discussed in Note 1, the financial statements present only the Parcel Tax Resource of District, and are not intended to present fairly the financial position and the changes in financial position of the District in accordance with accounting principles generally accepted in the United State of America.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 Parcel Tax Resource financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaurinek, Tine, Day & Co LLP

Pleasanton, California
December 1, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT
PARCEL TAX RESOURCE**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

**WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT
PARCEL TAX RESOURCE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

None reported.