WASHINGTON UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2016

WASHINGTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016
(Continued)

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WASHINGTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Washington Unified School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Cafeteria Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 52 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington Unified School District's basic financial statements. The accompanying schedule of expenditure 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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of Washington Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 2, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

INTRODUCTION

The Washington Unified School District, founded in 1957, is located in the City of West Sacramento. The city covers a 23 square mile area in eastern Yolo County along the west bank of the Sacramento River, opposite the City of Sacramento. The District serves an ethnically diverse and growing population of approximately 7,538 students. The District has six (6) K-8 schools, one (1) K-5 school, one (1) comprehensive high school, a continuation high school, an independent study program and an adult education program. We believe in our motto: The Gateway to Extraordinary Possibilities.

FINANCIAL HIGHLIGHTS

- The Adopted Budget Unrestricted General Fund projected a surplus of $3,807,169 and the Adopted Budget Restricted General Fund projected a deficit of $31,857. The year ended with an Unrestricted General Fund surplus of $6,553,216 and a Restricted General Fund deficit of $404,827
- Contributions to restricted programs were $405,183, or 5.13%, less than projected at the second financial reporting period for fiscal 2015-2016. The decrease was a result of meeting the 3% routine restricted maintenance contribution ahead of the State required deadline.
- The General Fund ended the year with a fund balance of $20,095,793. This is an increase of $6,958,043 over the prior fiscal year.
- Employee compensation increased by 3% for all employee groups for the 2015-2016 fiscal year. As of June 30, 2016, salary and benefit negotiations for the fiscal year had not been completed. For additional data, please see the *General Fund Budgetary Highlights* section.
- In November of 2014, the citizens of West Sacramento voted for and authorized the issuance of a general obligation bonds in the amount of $49.8M. The bonds, to be issued in two series, had their first issuance in June, 2015. In fiscal 2015-2016, the first phase of the Bryte CTE campus was completed, and additional building was added to the Bridgeway Island Campus, the districtwide roofing project continued with the completion of the Elkhorn and Alyce Norman campuses.
- In November of 2014, the Board of Education authorized the issuance of a Certificate of Participation in the amount of $6.9M for Solar Power Phase #3. The project was completed with the end result being that all District sites have photovoltaic arrays that cover some or all of their electrical needs.
- Capital outlay expenditures were $20,021,265. The majority of these expenditures are attributable to the Bryte CTE campus project, Bridgeway Island classrooms, districtwide re-roofing projects, and updating of fire alarm systems.
- All governmental funds ended with positive ending fund balances, and the District's cash position in the General Fund was positive.
- The District Administration continues to be proactive with the board, bargaining units, and community stakeholders to convey the District's fiscal position in a very transparent manner. The District maintains a positive certification with its fiscal oversight agent while acknowledging that continued fiscal solvency will require prudent action(s) in the coming fiscal years; even in an improving economy. With the passage of the Local Control Funding Formula in 2013, new funding for schools has materialized. However, the "rules" that govern how LCFF dollars continue being developed with implementation being dictated by the Local Control Accountability Plan (LCAP) and the State Board of Education's LCAP template.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education are financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short- and long-term financial information about the activities the District operates like businesses.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

REPORTING THE DISTRICT AS A WHOLE

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, deferred outflows of resources, liabilities and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. Since it is the responsibility of the Board 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 important components in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, District activities are defined as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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 some 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 California Department of Education, the U.S. Department of Education, local funds, and external borrowings.

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

THE DISTRICT AS TRUSTEE

The District is the trustee, or fiduciary, for funds held on behalf of others, like funds for associated student body activities and foundation private-purpose trust funds. The District's fiduciary activities are reported in separate *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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $76.3 million for the fiscal year ended June 30, 2016, resulting in an increase from the prior fiscal period's net position by $4.7 million.

In June of 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to GASB 68, the District's beginning net position for the fiscal year ending June 30, 2014, was restated last year by $51.5 million.

Table 1 below focuses on the net position of the District's governmental activities.

Table 1

(Amounts in millions)	2016 Governmental Activities	2015 Governmental Activities	2014 Governmental Activities
Current and other assets	$ 59.4	$ 49.5	$ 45.7
Capital Assets	261.1	247.5	247.1
Total Assets	**320.5**	**297.0**	**292.8**
Deferred Outflows of Resources	**9.1**	**5.1**	**1.3**
Current liabilities	6.9	20.0	15.4
Long-term liabilities	240.7	197.7	150.9
Total Liabilities	**247.6**	**217.7**	**166.3**
Deferred Inflows of Resources	**5.7**	**12.8**	**2.3**
Net position			
Invested in capital assets, net of related debt	109.7	98.3	95.5
Restricted	55.4	19.6	12.2
Unrestricted	(88.8)	(46.3)	17.8
Total Net Position	**$ 76.3**	**$ 71.6**	**$ 125.5**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 focuses on the change in net position of the District's governmental activities by taking the information from the Statement, rounds off the numbers, and rearranges them slightly so that total revenues for the year can be seen.

Table 2

(Amounts in millions)	2016 Governmental Activities	2015 Governmental Activities	2014 Governmental Activities
Revenues			
Program revenues:			
Charges for services	$ 1.1	$ 0.9	$ 0.9
Operating grants and contributions	23.4	16.0	15.3
Capital grants and contributions	-	-	-
General revenues:			
State revenue limit souces	53.3	45.5	40.0
Property taxes	23.0	18.7	15.5
Other general revenues	1.6	5.6	2.6
Total Revenues	**102.4**	**86.7**	**74.3**
Expenses			
Instruction and instruction-related activities	55.1	49.0	41.7
Student support services	10.2	9.2	8.4
Administration	7.5	5.9	5.9
Plant services	14.3	13.5	13.5
Other	10.6	7.4	7.1
Total Expenses	**97.7**	**85.0**	**76.6**
Change in Net Position	**$ 4.7**	**$ 1.7**	**$ (2.3)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all our governmental activities this year was $97.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $23 million because the cost was paid by those who benefited from the programs ($1.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($23.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $55 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, shown on the following page, we have presented the cost of each of the District's five largest functions: Instruction and instruction related activities, Pupil services, General administration, Plant services, and other, as well as each program's net cost (total cost less revenues generated by the activities). 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.

Table 3

(Amounts in millions)	2016		2015		2014	
	Total Cost of Svcs.	Net	Total Cost of Svcs.	Net	Total Cost of Svcs.	Net
Instruction and instruction related activities	$ 55.1	$ 39.2	$ 49.0	$ 40.0	$ 49.0	$ 33.0
Pupil services	10.2	4.6	9.2	4.6	9.2	3.8
General administration	7.5	6.6	5.9	5.1	5.9	5.0
Plant services	14.3	14.3	13.5	13.4	13.5	13.4
Other	10.6	8.6	7.4	4.9	7.4	5.1
Totals	**$ 97.7**	**$ 73.3**	**$ 85.0**	**$ 68.0**	**$ 85.0**	**$ 60.3**

THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The Fund Balances shown on the Governmental Funds Balance Sheet are largely cash and cash equivalents, and do not show Capital Facilities Assets.

The General Fund is the District's principal operating fund. The fund balance in the General Fund increased from $13.137 million to $20.095 million, or $6.9 million. The District expected to see an increase in the fund balance by at least $3.8 million due to the carryover of one-time funding of mandated cost reimbursement(s).

There were also several expenses that the District had planned on spending in fiscal 2015 that did not occur. These expenses will be recognized in fiscal 2016 and are for the following:

- School Bus Purchase – 6 Units: $1,055,451
- AB1200 Estimated Value Certificated 2015-16: $1,036,329
- AB1200 Estimated Value Classified 2015-16: $378,094

The second and third items noted are the result of an agreement with the collective bargaining units for 2015-2016 that was not tentatively agreed upon until October of 2016. Payments (salary) are due to staff in November and December of 2016.

Expenditures in the Building Fund, the Capital Facilities Fund, and the Special Reserve Fund equaled $24.1 million as the District completed the first phase of the Bryte CTE project, the Bridgeway Island Expansion project, and the Solar Power Phase #3 project.

The District's Other Non-Major Governmental Funds remained stable from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal 2015-2016 budget continued the practice of conservative budgeting. Although the LCFF projects increases in revenues (2015-2016 saw an increase of $7.8 million), the multi-year projection only assumes half of those revenues will materialize. In addition, there are no revenue streams associated with future growth, and no predictions of the outcomes of future budget policy changes at the State level.

As such, the Board of Education directed the Administration to develop and implement a budget plan that would address deficit spending, restore services that had been reduced in previous years, and provide and increase in salary and/or benefits to District staff. The Administration brought forth a balanced spending plan that added services and staff as well as provided for a compensation increase of 5% for all employee groups.

In addition, the District implemented the Local Control Accountability Plan (LCAP) for fiscal 2015-2016 that increased services provided to those students that were identified as being of poverty, English language learners, and/or foster youth. The LCAP increased targeted staffing by 14 full-time equivalent staff and an additional $592,526.2M in support cost(s).

As noted, the multi-year projection shows increases in funding at half of the Department of Finance estimate. The increase in future year funding will allow the District to continue to implement the LCAP by providing increases in services and or new service(s) as well as provide additional employee compensation.

Federal Funds

Federal funding for fiscal 2015-2016 increased by $470 thousand. Although a welcome increase, the District's Administration continues to be conservative with the allocation of these resources and the associated expenditures. As with prior years, the objective of the use of Federal Funds is to spend current year dollars on current year students.

Cash Flow

The concern over potential cash flow shortages compared to prior years has been eliminated for the time being. For the year ending June 30, 2016, the District had its strongest ending cash position. This is seen in the ratio of receivable to total assets, which is 14.3%; the lowest since the 2007-2008 fiscal year.

Capital Assets

At June 30, 2016, the District had $323.2 million in a broad range of capital assets net of accumulated depreciation, including land, buildings, vehicles, and furniture and equipment.

Table 4

(Amounts in millions)	2016 Governmental Activities	2015 Governmental Activities	2014 Governmental Activities
Land and construction in progress	$ 52.4	$ 35.3	$ 29.5
Buildings and Improvements	205.3	209.9	215.1
Equipment	3.4	2.3	2.5
Totals	**$ 261.1**	**$ 247.5**	**$ 247.1**

We present more detailed information about our capital assets in the notes to the basic financial statements.

Long-term Liabilities

In November of 2014, the voters in the City of West Sacramento approved Measure V, which authorized the Board of Education to issue General Obligation Bonds in the amount of $49.8 million. Of this authorization, the Board of Education issued Series 2015 Bonds at a value of $24.9 million. Measure V projects will include the Bryte CTE campus, Bridgeway Island classrooms, districtwide re-roofing projects, updating of fire alarm systems, and ADA access issue. Table 5 shows the long-term liabilities of the District.

Table 5

(Amounts in millions)	2016 Governmental Activities		2015 Governmental Activities		2014 Governmental Activities	
General Obligation bonds	$	95.9	$	70.4	$	70.0
Certificates of participation		68.2		69.8		65.3
Compensated absences and retirement incentives		3.3		2.2		0.2
Capital leases		15.4		15.8		16.3
Net Pension Liability		57.9		46.6		-
Totals	**$**	**240.7**	**$**	**204.8**	**$**	**151.8**

We present more detailed information regarding our long-term liabilities in the Notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenue limit funding was replaced beginning in fiscal year 2013-2014 with the new Local Control Funding Formula (LCFF). The LCCF model brought up much needed revenues and, beginning with fiscal 2014-2015, had additional "rules" implemented. The LCCF has a target for each school district that the State hopes to achieve within an eight year funding cycle. For the District, year two of the funding cycle saw an increase in funding of $7.8 million.

Recognizing that the new revenues for fiscal 2016-2017 would continue to be a focal point of stakeholders within the District, the Board of Education moved cautiously and continues to directed the Administration to implement a multi-year budget plan that kept a structural surplus, allowed restoration of some programs that had been reduced in prior years, allowed for an increase in new programs that during years of enrollment growth and State cuts were not added, and provided for increase(s) to employee salaries and benefits.

In the May Revision of the Governor's budget, funding for education continues to priority with a total funding of $87.6 billion ($51.5 billion General Fund and $36.1 billion other funds). The Prop 98 minimum guarantee for 2016-17 is projected to be $71.9 billion. The maintenance factor, anticipated to be repaid in full by the end of 2015-2016 in January, is now projected to be $155 million for 2015-16 and $908 million for 2016-2017. 2016-2017 will be a Test 3 year.

The May Revision includes a Cost of Living Adjustment (COLA) decrease from 0.47% to 0.00% for both LCFF and categorical program funds. While there is no COLA for 2016-2017, the Local Control Funding Formula (LCFF) gap funding was increased by an additional $154 million to a total of $2.98 billion with the May Revision. The gap percentage for 2016-2017 is now estimated at 54.84% and LCFF implementation through 2016-2017 is now projected to be 95.7% complete.

In addition, the May Revision proposes an additional $134.8 million of one-time discretionary funding, for a total of $1.4 billion. Although this funding is discretionary, the Governor suggests it be targeted for the implementation of the state-adopted standards, professional development, teacher induction for beginning teachers, infrastructure and deferred maintenance, instructional materials and technology. All of the funds will offset any applicable mandate reimbursement claims.

The May Revise, as noted above, is the basis for overall budget development for fiscal year 2016-2017. Revenue under the LCFF increased in fiscal 2016-2017 by 6.13%. The Unrestricted General Fund, Fund 01 is balanced with a surplus of $1,100,447; a result of one-time revenues of $1,717,124. This financial position allows the Board of Education the opportunity to continue to improve programs and services through the LCAP while balancing with other expenses such as the unfunded retirement liability of the CalSTRS and CalPERS retirement systems, employee salary and benefit enhancements, and restoration of prior unfunded positions.

As noted earlier, there are also several expenses that the District had planned on spending in fiscal 2015 that did not occur. These expenses will be recognized in fiscal 2016 and are for the following:

- School Bus Purchase – 6 Units: $1,055,451
- AB1200 Estimated Value Certificated 2015-16: $1,036,329
- AB1200 Estimated Value Classified 2015-16: $378,094

The second and third items noted are the result of an agreement with the collective bargaining units for 2015-2016 that was not tentatively agreed upon until October of 2016. Payments (salary) are due to staff in November and December of 2016.

Overall, the District's fiscal position remains stable. The most recent Legislative Analyst's Office forecast shows the potential for positive years for the State over the next several years. The Administration remains cautiously optimistic that the economic indicators will hold true; however fiduciary responsibility dictates that the District continue to stay ahead of any potential funding or expense cliff(s) with the expiration of short term sales taxes and the increased cost of funding the CalSTRS and CalPERS retirement systems.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM

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 demonstrate the District's accountability for the money it received. If you have questions about this report or need any additional financial information, contact the Business Office, Washington Unified School District, 930 Westacre Road, West Sacramento, California 95691 or call 916-375-7600.

BASIC FINANCIAL STATEMENTS

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 52,293,063
Receivables	5,847,726
Prepaid expenses	1,178,273
Stores inventory	85,629
Non-depreciable capital assets (Note 4)	52,467,041
Depreciable capital assets, net of accumulated depreciation (Note 4)	208,696,438
Total assets	320,568,170
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	7,745,871
Deferred loss on refunding of debt	1,393,116
Total deferred outflows	9,138,987
LIABILITIES	
Accounts payable	6,196,030
Unearned revenue	666,258
Long-term liabilities (Note 5):	
Due within one year	8,614,833
Due in more than one year	232,129,318
Total liabilities	247,606,439
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources - pensions (Notes 7 and 8)	5,754,000
NET POSITION	
Net investment in capital assets	109,728,610
Restricted:	
Legally restricted programs	3,639,359
Capital projects	35,975,945
Debt service	15,818,227
Unrestricted	(88,815,423)
Total net position	$ 76,346,718

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contri-butions	Program Revenues: Capital Grants and Contri-butions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 47,622,926	$ 29,159	$ 14,847,794	$ -	$ (32,745,973)
Instruction-related services:					
Supervision of instruction	2,250,064	-	638,183	-	(1,611,881)
Instructional library, media and technology	305,828	-	807	-	(305,021)
School site administration	4,883,773	4,844	379,003	-	(4,499,926)
Pupil services:					
Home-to-school transportation	2,613,383	-	51	-	(2,613,332)
Food services	4,363,370	1,028,179	4,036,881	-	701,690
All other pupil services	3,263,689	1,064	605,049	-	(2,657,576)
General administration:					
Data processing	2,279,852	-	13,920	-	(2,265,932)
All other general administration	5,228,781	55,426	844,233	-	(4,329,122)
Plant services	14,312,206	1,463	48,193	-	(14,262,550)
Ancillary services	355,555	-	9,548	-	(346,007)
Community services	446	-	-	-	(446)
Interest on long-term debt	10,143,788	-	-	-	(10,143,788)
Other outgo	148,500	-	2,016,091	-	1,867,591
Total governmental activities	$ 97,772,161	$ 1,120,135	$ 23,439,753	$ -	(73,212,273)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	14,542,212
Taxes levied for debt service	6,810,472
Taxes levied for other specific purposes	1,616,622
Federal and state aid not restricted to specific purposes	53,305,692
Interest and investment earnings	396,821
Miscellaneous	1,256,970
Total general revenues	77,928,789
Change in net position	4,716,516
Net position, July 1, 2015	71,630,202
Net position, June 30, 2016	$ 76,346,718

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Cash in County Treasury	$ 16,866,015	$ -	$ 10,603,187	$ 3,473,889	$ 7,163,135	$ 3,982,497	$ 42,088,723
Cash on hand and in banks	-	334,124	-	-	-	-	334,124
Cash in revolving fund	25,000	-	-	-	-	-	25,000
Cash with Fiscal Agent	-	-	-	5,576,076	-	4,269,140	9,845,216
Receivables	3,353,312	2,120,962	-	20,100	-	353,352	5,847,726
Prepaid expenditures	1,154,198	-	-	24,075	-	-	1,178,273
Due from other funds	1,967,023	-	-	-	75,777	58,911	2,101,711
Stores inventory	18,361	67,268	-	-	-	-	85,629
Total assets	$ 23,383,909	$ 2,522,354	$ 10,603,187	$ 9,094,140	$ 7,238,912	$ 8,663,900	$ 61,506,402
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 2,569,747	$ 23,004	$ 13,750	$ 959,302	$ -	$ 29,537	$ 3,595,340
Unearned revenue	660,258	-	-	-	-	6,000	666,258
Due to other funds	58,111	1,640,369	75,777	800	-	326,654	2,101,711
Total liabilities	3,288,116	1,663,373	89,527	960,102	-	362,191	6,363,309
Fund balances:							
Nonspendable	1,197,559	67,268	-	24,075	-	-	1,288,902
Restricted	2,580,614	791,713	10,513,660	8,109,963	7,238,912	8,301,709	37,536,571
Assigned	12,087,425	-	-	-	-	-	12,087,425
Unassigned	4,230,195	-	-	-	-	-	4,230,195
Total fund balances	20,095,793	858,981	10,513,660	8,134,038	7,238,912	8,301,709	55,143,093
Total liabilities and fund balances	$ 23,383,909	$ 2,522,354	$ 10,603,187	$ 9,094,140	$ 7,238,912	$ 8,663,900	$ 61,506,402

See accompanying notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET - TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - Governmental Funds		$ 55,143,093
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $323,291,844 and the accumulated depreciation is $62,128,365 (Note 4).		261,163,479
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2016 consisted of (Note 5):		
General Obligation Bonds	$ (77,133,895)	
Accreted interest	(15,702,950)	
Unamortized premiums on debt	(3,026,651)	
Certificates of Participation	(68,265,000)	
Qualified School Construction Bonds	(8,885,432)	
Clean Renewable Energy Bonds	(6,519,051)	
Capitalized leases obligations	(35,336)	
Net pension liability (Notes 7 and 8)	(57,857,000)	
Other post-employment benefits (Note 9)	(3,061,048)	
Compensated absences	(257,788)	
		(240,744,151)
Unmatured interest on long-term liabilities is recognized in the period incurred.		(2,600,690)
Losses on the refunding of debt and debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the debt.		1,393,116
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	7,745,871	
Deferred inflows of resources relating to pensions	(5,754,000)	
		1,991,871
Total net position - governmental activities		$ 76,346,718

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Funds	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Fund	Total Governmental Funds
Revenues:							
Local Control Funding Formula (LCFF):							
State apportionment	$ 49,042,260	$ -	$ -	$ -	$ -	$ -	$ 49,042,260
Local sources	13,522,204	-	-	-	-	-	13,522,204
Total LCFF	62,564,464	-	-	-	-	-	62,564,464
Federal sources	4,447,042	3,997,755	-	-	-	121,613	8,566,410
Other state sources	9,407,653	276,597	-	-	53,019	5,677,640	15,414,909
Other local sources	3,303,005	1,086,634	121,968	3,826,500	5,259,611	957,251	14,554,969
Total revenues	79,722,164	5,360,986	121,968	3,826,500	5,312,630	6,756,504	101,100,752
Expenditures:							
Current:							
Certificated salaries	32,183,335	-	-	-	-	572,902	32,756,237
Classified salaries	11,275,340	1,402,468	-	227,052	-	603,040	13,507,900
Employee benefits	14,964,054	480,367	-	79,009	-	387,602	15,430,665
Books and supplies	3,351,793	1,820,273	114,230	8,133	-	71,983	5,366,412
Contract services and operating expenditures	9,888,232	669,783	460,111	1,083,879	-	182,329	12,284,334
Other outgo	144,277	-	-	-	-	-	144,277
Capital outlay	1,035,268	-	10,500,920	6,292,313	-	2,192,764	20,021,265
Debt service:							
Principal retirement	-	-	-	1,595,333	2,740,000	397,656	4,732,989
Interest	-	-	463,239	3,375,533	1,753,010	478,234	6,070,016
Total expenditures	72,842,299	4,372,891	11,538,500	12,661,252	4,493,010	4,886,510	110,314,095
Excess (deficiency) of revenues over (under) expenditures	6,879,865	988,095	(11,416,532)	(8,834,752)	819,620	1,869,994	(9,693,710)
Other financing sources (uses):							
Transfers in	1,238,700	-	-	3,851,529	-	1,160,522	6,250,751
Transfers out	(1,160,522)	(923,455)	(3,851,529)	-	-	(315,245)	(6,250,751)
Proceeds from issuance of debt	-	-	30,845,000	-	-	-	30,845,000
Premium on issuance of debt	-	-	1,241,721	-	75,777	-	1,317,498
Payment to refunding escrow	-	-	(6,305,000)	-	-	-	(6,305,000)
Total other financing sources (uses)	78,178	(923,455)	21,930,192	3,851,529	75,777	845,277	32,162,498
Change in fund balances	6,958,043	64,640	10,513,660	(4,983,223)	895,397	2,715,271	16,163,788
Fund balances, July 1, 2015	13,137,750	794,341	-	13,117,261	6,343,515	5,586,438	38,979,305
Fund balances, June 30, 2016	$ 20,095,793	$ 858,981	$ 10,513,660	$ 8,134,038	$ 7,238,912	$ 8,301,709	$ 55,143,093

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds	$ 16,163,788
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	19,955,031
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,166,573)
In the statement of activities the gain or loss on disposal of capital assets is recorded.	(156,323)
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net position. Amounts recognized in government funds as proceeds from debt, net of issue premium or discount, were (Note 5):	(30,845,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	4,732,989
Payments made to refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	6,305,000
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	214,849
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 5)	(1,039,982)
Accreted interest is an expense that is not recorded in the governmental funds (Note 5)	(2,593,862)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	(414,873)

(Continued)

In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Notes 5 and 9).	(1,011,020)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8).	(356,900)
In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(70,608)
Change in net position of governmental activities	$ 4,716,516

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2016

	Foundation Trust Fund	Student Body Funds
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	$ 3,541	$ -
Cash on hand and in banks	-	234,452
Local Agency Investment Fund	40,000	-
Total assets	43,541	$ 234,452
LIABILITIES		
Due to student groups	-	$ 234,452
NET POSITION		
Restricted for trust expenditures	$ 43,541	

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	Foundation Trust Fund
Additions:	
Interest	$ 33
Deductions:	
Contract services and operating expenditures	500
Change in net position	(467)
Net position, July 1, 2015	44,008
Net position, June 30, 2016	$ 43,541

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Cafeteria Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities by the District.

The Capital Facilities Fund is a capital projects fund used to account for resources used for the acquisition or construction of capital facilities by the District.

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education and Child Development.

The Special Reserve for Capital Outlay Projects is an capital project fund used to provide for the accumulation of general fund moneys for capital outlay purposes.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Foundation Trust Fund is used to account for assets held by the District as Trustee.

The Student Body Fund is a fiduciary fund for which the District act as an Agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled $563,750.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability which is in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled $1,676,000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and the Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 5,478,263	$ 2,267,608	$ 7,745,871
Deferred inflows of resources	$ 4,291,000	$ 1,463,000	$ 5,754,000
Net pension liability	$ 43,680,000	$ 14,177,000	$ 57,857,000
Pension expense	$ 6,270,445	$ 1,258,623	$ 7,529,068

Compensated Absences: Compensated absences totaling $257,788 are recorded as a liability of the District. The liability is for the earned but unused benefits. The amount to be provided by future operations represents the total amount that would be required to be provided from the general operating revenues of the District if all the benefits were to be paid.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2016, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2016, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of Yolo bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2016 are reported at fair value and consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 42,088,723	$ 3,541
Local Agency Investment Fund	-	40,000
Total pooled funds	42,088,723	43,541
Deposits:		
Cash on hand and in banks	334,124	234,450
Cash in revolving fund	25,000	-
Total deposits	359,124	234,450
Investments:		
Cash with Fiscal Agent	9,845,216	-
Total cash and investments	$ 52,293,063	$ 277,991

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Yolo County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata 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.

Local Agency Investment Fund: The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was $593,574 and the bank balance was $592,480. The total uninsured bank balance at June 30, 2016 was $92,480.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. 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: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2016 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 1,967,023	$ 58,111
Cafeteria	-	1,640,369
Building	-	75,777
Capital Facilities	-	800
Bond Interest and Redemption	75,777	-
Non-Major Funds:		
Adult Education	8,610	-
Child Development	49,501	319,511
Special Reserve for Capital Outlay	-	7,143
Debt Service	800	-
Totals	$ 2,101,711	$ 2,101,711

Interfund Transfers: Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2015-2016 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to cover operating costs.	$ 49,501
Transfer from the General Fund to the Debt Service Fund to make qualified school construction bond payment.	1,111,021
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	223,455
Transfer from the Cafeteria Fund to the General Fund for repayment of cash borrowed in 2014-15.	700,000
Transfer from the Building Fund to the Capital Facilities Fund to repay loan.	3,851,529
Transfer from the Adult Education Fund to the General Fund for indirect costs .	10,556
Transfer from the Child Development Fund to the General Fund for repayment of cash borrowed in 2014-15.	200,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	104,689
	$ 6,250,751

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

Governmental Activities	Balance July 1, 2015	Transfers and Additions	Transfers and Deductions	Balance June 30, 2016
Non-depreciable:				
Land	$ 29,155,759	$ -	$ -	$ 29,155,759
Work-in-process	6,180,347	18,177,855	(1,046,920)	23,311,282
Depreciable:				
Buildings	219,717,321	795,153	-	220,512,474
Site improvements	37,827,922	204,644	-	38,032,566
Equipment	10,611,787	1,667,976	-	12,279,763
Totals, at cost	303,493,136	20,845,628	(1,046,920)	323,291,844
Less accumulated depreciation:				
Buildings	(40,965,418)	(4,764,390)	-	(45,729,808)
Site improvements	(6,745,801)	(808,109)	-	(7,553,910)
Equipment	(8,250,573)	(594,074)	-	(8,844,647)
Total accumulated depreciation	(55,961,792)	(6,166,573)	-	(62,128,365)
Capital assets, net	$ 247,531,344	$ 14,679,055	$ (1,046,920)	$ 261,163,479

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 13,764
Home to school	69,120
Food services	10,397
All other pupil services	2,057
All other general administration	1,275
Centralized Data Processing	320,906
Plant services	5,749,054
Total depreciation expense	$ 6,166,573

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: In August 2004, the District issued 2004 General Obligation Bonds, Series A totaling $39,999,040. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Current Interest and Capital Appreciation Bonds bear interest rates from 5.0% to 5.25% and are scheduled to mature through August 2029. With the issuance of the 2012 Refunding General Obligation Bonds in October 2012, all of the current interest Series A bonds were refunded.

The annual requirements to amortize the remaining current appreciation bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023-2026	$ 4,605,594	$ 10,817,992	$ 15,423,586
2027-2030	5,948,445	14,557,969	20,506,414
	$ 10,554,039	$ 25,375,961	$ 35,930,000

In November 2006, the District issued 2004 General Obligation Bonds, Series B totaling $12,000,433. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The current interest and capital appreciation bonds bear interest rates from 4.0% to 5.4% and are scheduled to mature through August 2031. With the issuance of the 2016 Refunding General Obligation Bonds in June 2015, $2,895,000 of the current interest Series B bonds were refunded.

The annual requirements to amortize the remaining bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 410,000	$ 125,675	$ 535,675
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	1,562,185	2,122,861	3,685,046
2027-2031	3,630,408	8,723,126	12,353,534
2032	1,712,840	2,338,580	4,051,420
	$ 7,315,433	$ 13,310,242	$ 20,625,675

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In February 2007, the District issued 1999 General Obligation Bonds, Series B totaling $7,469,422. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The Current Interest and Capital Appreciation Bonds bear interest rates from 4.0% to 7.51% and are scheduled to mature through August 2031. With the issuance of the 2016 Refunding General Obligation Bonds in June 2015, $3,410,000 of the current interest Series B bonds were refunded.

The annual requirements to amortize the remaining bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 200,000	$ 141,919	$ 341,919
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	316,492	778,072	1,094,564
2027-2031	2,682,171	4,795,385	7,477,556
2032	280,760	707,120	987,880
	$ 3,479,423	$ 6,422,496	$ 9,901,919

In November 2010, the District issued 2010 General Obligation Refunding Bonds in the aggregate principal amount of $9,510,000 for the purpose of refunding $8,740,000 of its 1999 General Obligation Bonds, Series A. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds consist of serial bonds bearing various fixed interest rates from 2% to 4% and mature through August 2025.

The annual requirements to amortize the refunding bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 535,000	$ 259,175	$ 794,175
2018	570,000	242,600	812,600
2019	615,000	224,825	839,825
2020	660,000	205,700	865,700
2021	700,000	185,300	885,300
2022-2026	4,370,000	461,600	4,831,600
	$ 7,450,000	$ 1,579,200	$ 9,029,200

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In October 2012, the District issued 2012 General Obligation Refunding Bonds, consisting of $21,150,000 Serial Bonds. The proceeds were to be used solely to refund that portion of the District's Election of 2004 General Obligation Bonds, Series A. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The current interest bonds bear interest rates from 2.0% to 4.0% and are scheduled to mature through August 2022.

The annual requirements to amortize the bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 1,755,000	$ 664,500	$ 2,419,500
2018	1,970,000	590,000	2,560,000
2019	2,205,000	506,500	2,711,500
2020	2,455,000	413,300	2,868,300
2021	2,735,000	309,500	3,044,500
2022-2023	6,370,000	261,200	6,631,200
	$ 17,490,000	$ 2,745,000	$ 20,235,000

In July 2015, the District issued 2016 General Obligation Bonds, consisting of $24,900,000 Serial Bonds. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The current interest bonds bear interest rates from 3.15% to 5.0% and are scheduled to mature through August 2040.

The annual requirements to amortize the bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 980,000	$ 949,900	$ 1,929,900
2018	1,300,000	892,900	2,192,900
2019	-	860,400	860,400
2020	-	860,400	860,400
2021	245,000	855,500	1,100,500
2022-2026	2,485,000	4,038,700	6,523,700
2027-2031	4,260,000	3,394,456	7,654,456
2032-2036	6,355,000	2,499,744	8,854,744
2037-2041	9,275,000	981,700	10,256,700
	$ 24,900,000	$ 15,333,700	$ 40,233,700

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2015, the District issued 2016 General Obligation Refunding Bonds, consisting of $5,945,000 Serial Bonds. The proceeds are to be used solely to refund that portion of the District's Election of 2004 General Obligation Bonds, Series B and 1999 General Obligation Bonds, Series B. Repayment of the Bonds is made from ad valorem taxes to be levied annually upon all property subject to taxation by the District. The current interest bonds bear interest rates from 3.00% to 5.0% and are scheduled to mature through August 2024.

The annual requirements to amortize the bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 70,000	$ 280,950	$ 350,950
2018	650,000	266,900	916,900
2019	735,000	239,200	974,200
2020	835,000	203,625	1,038,625
2021	950,000	159,000	1,109,000
2022-2025	2,705,000	237,375	2,942,375
	$ 5,945,000	$ 1,387,050	$ 7,332,050

Certificates of Participation: In June 2007, the District issued Certificates of Participation (COPs) in the amount of $70,645,000 with an interest rate of 4.75%, maturing through August 2037. The annual requirements to amortize the COPs as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 1,625,000	$ 3,098,019	$ 4,723,019
2018	1,690,000	3,021,237	4,711,237
2019	1,785,000	2,934,363	4,719,363
2020	1,860,000	2,843,236	4,703,236
2021	1,960,000	2,747,738	4,707,738
2022-2026	11,380,000	12,126,688	23,506,688
2027-2031	14,520,000	8,905,188	23,425,188
2032-2036	18,560,000	4,735,500	23,295,500
2037-2038	8,830,000	458,175	9,288,175
	$ 62,210,000	$ 40,870,144	$ 103,080,144

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In December 2014, the District issued Certificates of Participation (COPs) in the amount of $6,055,000 with an interest rate from 2.0% to 3.75% maturing through December 2039. The annual requirements to amortize the COPs as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 85,000	$ 209,056	$ 294,056
2018	80,000	207,406	287,406
2019	90,000	205,706	295,706
2020	100,000	203,806	303,806
2021	115,000	201,081	316,081
2022-2026	800,000	940,806	1,740,806
2027-2031	1,345,000	762,219	2,107,219
2032-2036	1,665,000	483,922	2,148,922
2037-2040	1,775,000	139,409	1,914,409
	$ 6,055,000	$ 3,353,411	$ 9,408,411

Qualified School Construction Bonds: On April 9, 2010, the District received $8,885,432 financing in the form of Qualified School Construction Bonds (QSCB) to provide resources for the implementation of a district-wide energy efficiency projects including the solar project at the River City High School. Under the lease, the principal components of the QSCB payments to be paid by the District are to be accumulated in a sinking fund and are to be paid in a lump sum on March 15, 2026, the maturity date. As of June 30, 2016, $3,332,037 was held by Yolo County Treasury as fiscal agent in the sinking fund. The bonds bear interest at 1.42% payable quarterly. The annual requirements to amortize the QSCB as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ -	$ 126,172	$ 126,172
2018	-	126,172	126,172
2019	-	126,172	126,172
2020	-	126,172	126,172
2021	-	126,172	126,172
2022-2026	8,885,432	536,231	9,421,663
	$ 8,885,432	$ 1,167,091	$ 10,052,523

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Clean Renewable Energy Bonds: On October 23, 2012, the District issued $7,306,260 of Clean Renewable Energy Bonds (CREB) at an interest rate of 5.09%, maturing through October 2029 to fund solar projects. The District receives a Federal interest subsidy. The full value of the subsidy rate is 3.01%. The amount of the Federal subsidy has in the past, and may in the future, be decreased. The annual requirements to amortize the CREB as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 405,927	$ 311,820	$ 717,747
2018	414,370	311,158	725,528
2019	422,989	290,067	713,056
2020	431,787	268,536	700,323
2021	440,768	246,558	687,326
2022-2026	2,345,233	886,785	3,232,018
2027-2030	2,057,977	264,571	2,322,548
	$ 6,519,051	$ 2,579,495	$ 9,098,546

Capitalized Lease Obligations: The District also leases modular computer lab buildings under Interest-free agreements with the State of California which provide for title to pass upon expiration of the lease period. The modular lab buildings have a capitalized cost of $318,000 and accumulated depreciation at June 30, 2016 of $44,520. The District has one payment in the amount of $35,336 remaining due in year ending June 30, 2017.

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 55,333,895	$ 30,845,000	$ 9,045,000	$ 77,133,895	$ 3,950,000
Accreted Interest	13,109,088	2,593,862	-	15,702,950	1,907,431
Premium on issuance of long-term debt	1,986,669	1,317,498	277,516	3,026,651	383,687
Certificates of Participation	69,825,000	-	1,560,000	68,265,000	1,710,000
Qualified School Construction Bonds	8,885,432	-	-	8,885,432	-
Clean Renewable Energy Bonds	6,916,707	-	397,656	6,519,051	405,927
Capitalized lease obligations	70,669	-	35,333	35,336	-
Net pension liability (Notes 7 and 8)	46,588,000	11,269,000	-	57,857,000	-
Other post-employment benefits (Note 9)	2,050,028	1,364,264	353,244	3,061,048	-
Compensated absences	187,180	70,608	-	257,788	257,788
	$ 204,952,668	$ 47,460,232	$ 11,668,749	$ 240,744,151	$ 8,614,833

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation and Capitalized Lease Obligations are made from the Capital Facilities Fund. Payments on the Qualified School Construction Bonds and the Clean Renewable Energy Bonds are made from the Debt Service Fund. Payments on compensated absences and postemployment benefits are made from the fund for which the related employee worked.

(Continued)

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2016 consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:							
Revolving cash fund	$ 25,000	$ -	$ -	$ -	$ -	$ -	$ 25,000
Prepaid expenditures	1,154,198	-	-	24,075	-	-	1,178,273
Stores inventory	18,361	67,268	-	-	-	-	85,629
Subtotal nonspendable	1,197,559	67,268	-	24,075	-	-	1,288,902
Restricted:							
Other legally restricted programs	2,580,614	791,713	-	-	-	199,765	3,572,092
Capital projects	-	-	10,513,660	8,109,963	-	3,791,769	22,415,392
Debt service	-	-	-	-	7,238,912	4,310,175	11,549,087
Subtotal restricted	2,580,614	791,713	10,513,660	8,109,963	7,238,912	8,301,709	37,536,571
Assigned:							
Deferred maintenance reserve	2,000,000	-	-	-	-	-	2,000,000
Textbook Adoption	2,699,328	-	-	-	-	-	2,699,328
1:1 Devices	2,511,953	-	-	-	-	-	2,511,953
Capital investments	4,876,144	-	-	-	-	-	4,876,144
Subtotal assigned	12,087,425	-	-	-	-	-	12,087,425
Unassigned:							
Designated for economic uncertainty	4,230,195	-	-	-	-	-	4,230,195
Subtotal unassigned	4,230,195	-	-	-	-	-	4,230,195
Total fund balances	$ 20,095,793	$ 858,981	$ 10,513,660	$ 8,134,038	$ 7,238,912	$ 8,301,709	$ 55,143,093

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $3,435,263 to the plan for the fiscal year ended June 30, 2016.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to zero percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

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

District's proportionate share of the net pension liability	$ 43,680,000
State's proportionate share of the net pension liability associated with the District	23,102,000
Total	$ 66,782,000

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2015, the District's proportion was 0.065 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $6,270,445 and revenue of $2,279,297 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
Difference between expected and actual experience	$ -	$ 730,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	3,561,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,043,000	-
Contributions made subsequent to measurement date	3,435,263	-
Total	$ 5,478,263	$ 4,291,000

$3,435,263 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2017	$ (1,255,300)
2018	$ (1,255,300)
2019	$ (1,255,300)
2020	$ 1,078,900
2021	$ 219,500
2022	$ 219,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the 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 actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

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 as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 10-year geometric average

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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 the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 65,954,000	$ 43,680,000	$ 25,169,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed $1,457,608 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of $14,177,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2015, the District's proportion was 0.096 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $1,258,623. 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
Difference between expected and actual experience	$ 810,000	$ -
Changes of assumptions	-	871,000
Net differences between projected and actual earnings on investments	-	485,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	107,000
Contributions made subsequent to measurement date	1,457,608	-
Total	$ 2,267,608	$ 1,463,000

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$1,457,608 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,		
2017	$	(188,333)
2018	$	(188,333)
2019	$	(188,334)
2020	$	(88,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan 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 actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

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

The discount rate was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 23,074,000	$ 14,177,000	$ 6,778,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service, in accordance with contracts between the District and employee groups under a single employer defined benefit plan. The plan does not issue separate financial statements. Certificated employees must retire from the District on or after attaining the age of 52 and have attained step 11 in the Certificated Employees' Salary Schedule. The coverage ends once the retirees reaches age 65.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2016, the District contributed only for pay-as-you-go in the amount of $353,244.

(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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 Cod. Sec. P50.108-.109. 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 liabilities (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:

Annual required contribution	$ 1,353,252
Interest on net OPEB obligation	92,251
Adjustment to annual required contribution	(81,239)
Annual OPEB cost (expense)	1,364,264
Contributions made	(353,244)
Increase in net OPEB obligation	1,011,020
Net OPEB obligation - beginning of year	2,050,028
Net OPEB obligation - end of year	$ 3,061,048

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 979,221	69.0%	$ 1,413,113
June 30, 2015	$ 972,835	34.5%	$ 2,050,028
June 30, 2016	$ 1,364,264	25.9%	$ 3,061,048

As of April 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $9.1 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $9.1 million. The covered payroll (annual payroll of active employees covered by the Plan) was $41.2 million, and the ratio of the UAAL to the covered payroll was 22.01 percent. The OPEB plan is currently operated as a pay-as-you-go plan and does not prepare stand-alone financial statements.

(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 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.

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 April 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 25 years.

NOTE 10 - JOINT POWERS AGREEMENTS

The District participates in five joint ventures under joint powers agreements.

Northern California Regional Liability Excess Fund: The District is a member with other school districts in Northern California Regional Liability Excess Fund (NCReLiEF) for the operation of a common risk management and insurance program. NCReLiEF is governed by a board consisting of representatives of member districts. The board controls the operations of NCReLiEF, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for NCReLiEF for the year ended June 30, 2015 (most recent information available) is as follows:

Total assets	$	66,435,645
Total liabilities	$	59,236,261
Net position	$	7,199,384
Total revenues	$	46,568,938
Total expenditures	$	45,562,131
Change in net position	$	1,006,807

(Continued)

NOTE 10 - JOINT POWERS AGREEMENTS (Continued)

School Project for Utility Rate Reduction: The District is a member in School Project for Utility Rate Reduction (SPURR), which is a California joint powers authority, whose members are California public K-12 school districts, community college districts and county offices of education. SPURR provides members access to the wholesale natural gas market that would otherwise be unavailable to them.

Condensed audit information for SPURR for the year ended June 30, 2014 (the latest information available) is as follows:

Total assets	$	12,618,781
Total liabilities	$	7,684,404
Net position	$	4,934,377
Total revenue	$	33,778,951
Total expenditures	$	34,880,230
Change in net position	$	(1,101,279)

North Valley Schools Insurance Group: The District is a member with other districts in North Valley Schools Insurance Group (NVSIG) for the operation of a common risk management and insurance program for workers' compensation. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for NVSIG for the year ended June 30, 2015 (most recent information available) is as follows:

Total assets	$	3,022,400
Total liabilities	$	1,448,227
Net position	$	1,574,173
Total revenues	$	10,329,745
Total expenditures	$	9,996,043
Change in net position	$	333,702

Schools Excess Liability Fund: The District is a member with other districts in Schools Excess Liability Fund (SELF) for the purpose of providing excess insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for SELF for the year ended June 30, 2015 (most recent information available) is as follows:

Total assets	$	154,727,271
Deferred outflows of resources	$	99,437
Total liabilities	$	122,470,926
Deferred inflows of resources	$	166,153
Net position	$	32,189,629
Total revenues	$	11,968,752
Total expenditures	$	23,063,637
Change in net position	$	(11,094,885)

(Continued)

NOTE 10 - JOINT POWERS AGREEMENTS (Continued)

The Protected Insurance Program for Schools: The District is a member with other districts in the Protected Insurance Program for Schools (PIPS) for the purpose of providing an alternative for workers' compensation coverage. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for PIPS for the year ended June 30, 2015 (most recent information available) is as follows:

Total assets	$ 154,727,271
Deferred outflows of resources	$ 99,437
Total liabilities	$ 122,470,926
Deferred inflows of resources	$ 166,153
Net position	$ 32,189,629
Total revenues	$ 11,968,752
Total expenditures	$ 23,063,637
Change in net position	$ (11,094,885)

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments: As of June 30, 2016, the District has $2.9 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 51,813,210	$ 49,633,847	$ 49,042,260	$ (591,587)
Local sources	10,488,720	13,522,204	13,522,204	-
Total LCFF	62,301,930	63,156,051	62,564,464	(591,587)
Federal sources	4,163,467	4,714,024	4,447,042	(266,982)
Other state sources	6,970,438	7,639,126	9,407,653	1,768,527
Other local sources	2,646,337	2,959,189	3,303,005	343,816
Total revenues	76,082,172	78,468,390	79,722,164	1,253,774
Expenditures:				
Current:				
Certificated salaries	33,727,659	33,900,225	32,183,335	1,716,890
Classified salaries	11,478,307	11,391,514	11,275,340	116,174
Employee benefits	12,200,058	13,491,952	14,964,054	(1,472,102)
Books and supplies	3,899,334	4,656,994	3,351,793	1,305,201
Contract services and operating expenditures	8,650,240	10,233,570	9,888,232	345,338
Other outgo	205,215	144,277	144,277	-
Capital outlay	1,663,478	2,066,804	1,035,268	1,031,536
Total expenditures	71,824,291	75,885,336	72,842,299	3,043,037
Excess (deficiency) of revenues over (under) expenditures	4,257,881	2,583,054	6,879,865	4,296,811
Other financing sources (uses):				
Transfers in	320,267	900,000	1,238,700	338,700
Transfers out	(802,836)	(816,994)	(1,160,522)	(343,528)
Total other financing sources (uses)	(482,569)	83,006	78,178	(4,828)
Change in fund balance	3,775,312	2,666,060	6,958,043	4,291,983
Fund balance, July 1, 2015	13,137,750	13,137,750	13,137,750	-
Fund balance, June 30, 2016	$ 16,913,062	$ 15,803,810	$ 20,095,793	$ 4,291,983

See accompanying notes to required supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 3,065,000	$ 3,204,732	$ 3,997,755	$ 793,023
Other state sources	242,000	242,000	276,597	34,597
Other local sources	1,100,000	1,100,000	1,086,634	(13,366)
Total revenues	4,407,000	4,546,732	5,360,986	814,254
Expenditures:				
Current:				
Classified salaries	1,318,926	1,318,926	1,402,468	(83,542)
Employee benefits	445,074	461,074	480,367	(19,293)
Books and supplies	2,062,239	2,099,339	1,820,273	279,066
Contract services and operating expenditures	341,078	422,721	669,783	(247,062)
Other outgo	212,950	217,939	-	217,939
Total expenditures	4,380,267	4,519,999	4,372,891	147,108
Excess (deficiency) of revenues over (under) expenditures	26,733	26,733	988,095	961,362
Other financing uses:				
Transfers out	-	(700,000)	(923,455)	(223,455)
Change in fund balance	26,733	(673,267)	64,640	737,907
Fund balance, July 1, 2015	794,341	794,341	794,341	-
Fund balance, June 30, 2016	$ 821,074	$ 121,074	$ 858,981	$ 737,907

See accompanying notes to required supplementary information.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 1, 2012	$ -	$ 5.9 million	$ 5.9 million	0%	$ 37.6 million	15.79%
April 1, 2014	$ -	$ 6.6 million	$ 6.6 million	0%	$ 38.6 million	17.07%
April 1, 2016	$ -	$ 9.1 million	$ 9.1 million	0%	$ 41.2 million	22.01%

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.061%	0.065%
District's proportionate share of the net pension liability	$ 35,796,000	$ 43,680,000
State's proportionate share of the net pension liability associated with the District	21,615,000	23,102,000
Total net pension liability	$ 57,411,000	$ 66,782,000
District's covered-employee payroll	$ 27,283,000	$ 30,114,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.095%	0.096%
District's proportionate share of the net pension liability	$ 10,792,000	$ 14,177,000
District's covered-employee payroll	$ 9,979,000	$ 10,648,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.15%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 2,674,147	$ 3,435,263
Contributions in relation to the contractually required contribution	$ 2,674,147	$ 3,435,263
District's covered-employee payroll	$ 30,114,000	$ 32,015,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 1,253,374	$ 1,457,608
Contributions in relation to the contractually required contribution	$ 1,253,374	$ 1,457,608
District's covered-employee payroll	$ 10,648,000	$ 12,304,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Cafeteria Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2016 were as follows:

Fund	Excess Expenditures
General Fund:	
Employee Benefits	$ 1,472,102
Cafeteria Fund:	
Classified salaries	83,542
Employee Benefits	19,293
Contract services and operating expenditures	247,062

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C - Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District Contributions

The Schedule of the District Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

	Adult Education Fund	Child Development Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
ASSETS					
Cash in County Treasury	$ 135,591	$ 24,714	$ 3,822,192	$ -	$ 3,982,497
Cash with Fiscal Agent	-	-	-	4,269,140	4,269,140
Receivables	45,266	267,851	-	40,235	353,352
Due from other funds	8,610	49,501	-	800	58,911
Total assets	$ 189,467	$ 342,066	$ 3,822,192	$ 4,310,175	$ 8,663,900
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 726	$ 5,531	$ 23,280	$ -	$ 29,537
Due to other funds	-	319,511	7,143	-	326,654
Unearned revenue	-	6,000	-	-	6,000
Total liabilities	726	331,042	30,423	-	362,191
Fund balances:					
Restricted	188,741	11,024	3,791,769	4,310,175	8,301,709
Total fund balances	188,741	11,024	3,791,769	4,310,175	8,301,709
Total liabilities and fund balances	$ 189,467	$ 342,066	$ 3,822,192	$ 4,310,175	$ 8,663,900

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2016

	Adult Education Fund	Child Development Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
Revenues:					
Federal sources	$ 45,266	$ 76,347	$ -	$ -	$ 121,613
Other state sources	160,219	1,299,422	4,217,999	-	5,677,640
Other local sources	186,836	138,106	37,867	594,442	957,251
Total revenues	392,321	1,513,875	4,255,866	594,442	6,756,504
Expenditures:					
Current:					
Certificated salaries	123,625	449,277	-	-	572,902
Classified salaries	7,181	595,859	-	-	603,040
Employee benefits	26,657	360,945	-	-	387,602
Books and supplies	50,269	21,714	-	-	71,983
Contract services and operating expenditures	9,681	19,868	152,780	-	182,329
Capital outlay	-	-	2,192,764	-	2,192,764
Debt service:					
Principal retirement	-	-	-	397,656	397,656
Interest	-	-	-	478,234	478,234
Total expenditures	217,413	1,447,663	2,345,544	875,890	4,886,510
Excess (deficiency) of revenues over (under) expenditures	174,908	66,212	1,910,322	(281,448)	1,869,994
Other financing sources (uses):					
Transfers in	-	49,501	-	1,111,021	1,160,522
Transfers out	(10,556)	(304,689)	-	-	(315,245)
Total other financing sources (uses)	(10,556)	(255,188)	-	1,111,021	845,277
Net change in fund balances	164,352	(188,976)	1,910,322	829,573	2,715,271
Fund balances, July 1, 2015	24,389	200,000	1,881,447	3,480,602	5,586,438
Fund balances, June 30, 2016	$ 188,741	$ 11,024	$ 3,791,769	$ 4,310,175	$ 8,301,709

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets:				
Cash on hand and in banks:				
Bridgeway Island Elementary	$ 9,984	$ 43,551	$ 41,618	$ 11,917
Westmore Oaks Elementary	9,822	6,149	8,437	7,534
Stonegate Elementary	15,968	72,837	59,868	28,937
River City High	192,102	403,814	410,552	185,364
Yolo High	1,169	1,104	1,573	700
Total assets	$ 229,045	$ 527,455	$ 522,048	$ 234,452
Liabilities:				
Due to student groups	$ 229,045	$ 527,455	$ 522,048	$ 234,452

Washington Unified School District was established on July 1, 1957 and comprises an area of approximately 23 square miles located in Yolo County. Washington Unified School District serves an ethnically diverse and growing population of 7,421 students, with a staff of 400 certificated employees and 350 classified employees. The district currently operates seven elementary schools (six K-8 schools and one Transitional Kindergarten-5 school), a comprehensive high school, an alternative high school, a dependent charter, an independent study program, and an adult education program. At least one additional elementary school is planned for the future to accommodate growth. There were no changes in District boundaries during the year.

BOARD OF EDUCATION

Name	Office	Term Expires
Alicia Cruz	President	2016
Sarah Kirby-Gonzalez	Vice President	2018
Katie Villegas	Clerk	2016
Norma Alcala	Trustee	2018
Cody Pizzotti	Trustee	2016

ADMINISTRATION

Linda C, Luna
Superintendent

Scott Lantsberger
Assistant Superintendent, Business Services

Michael Reed
Assistant Superintendent, Human Resources

Amber Lee
Assistant Superintendent, Educational Services, Elementary

Andy Parsons, Ed. D
Assistant Superintendent, Educational Services, Secondary

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2016

	Second Period Report	Annual Report
DISTRICT		
Elementary:		
Transitional Kindergarten through Third	2,323	2,353
Fourth through Sixth	1,734	1,745
Seventh and Eighth	1,098	1,097
Subtotal Elementary	5,155	5,195
Secondary:		
Ninth through Twelfth	2,090	2,079
Subtotal Secondary	2,090	2,079
District Totals	7,245	7,274

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2016

Grade Level	Statutory Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
District:				
Kindergarten	36,000	42,300	180	In Compliance
Grade 1	50,400	51,150	180	In Compliance
Grade 2	50,400	51,150	180	In Compliance
Grade 3	50,400	51,150	180	In Compliance
Grade 4	54,000	54,600	180	In Compliance
Grade 5	54,000	54,600	180	In Compliance
Grade 6	54,000	54,480	180	In Compliance
Grade 7	54,000	54,480	180	In Compliance
Grade 8	54,000	54,480	180	In Compliance
Grade 9	64,800	66,304	180	In Compliance
Grade 10	64,800	66,304	180	In Compliance
Grade 11	64,800	66,304	180	In Compliance
Grade 12	64,800	66,304	180	In Compliance

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	$ 1,266,087
84.027	Special Education, Part B Private School ISPs,	10115	9,805
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	96,071
84.173	Special Education: IDEA Preschool Grants, Part B	13430	35,524
84.027A	Special Education: IDEA Mental Health Services	24536	96,769
	Subtotal Special Education Cluster		1,504,256
	Adult Education Programs:		
84.002	Adult Education: State Leadership Projects	13970	33,723
84.002A	Adult Education: Adult Basic Education & ESL	14508	9,832
84.002A	Adult Education: English Literacy & Civics Education	14109	1,711
	Subtotal Adult Education Programs		45,266
84.323	Special Education: State Improvement Grant,	14920	3,716
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	2,061,883
84.330B	NCLB: Title I, Part G, AP Test Fee	14831	13,653
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	72,648
84.060	Indian Education	10011	8,852
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	365,560
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	108,774
	Total U.S. Department of Education		4,184,608
	U.S. Department of Agriculture - Passed through California Department of Education		
10.555	Child Nutrition: School Programs	13396	3,361,029
10.558	Child Nutrition: Centers and Family Day Care Homes	13529	482,831
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	102,632
	Total U.S. Department of Agriculture		3,946,492

(Continued)

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Health and Human Services - Passed through California Department of Education		
	Medi-Cal Programs:		
93.778	Medi-Cal Billing Option	10013	$ 383,498
93.778	Medi-Cal Administrative Activities	10060	181,697
	Subtotal Medi-Cal programs		565,195
93.596	Child Development: Federal General and State Preschool	13609	76,347
	Total U.S. Department of Health and Human Services		641,542
	Total Federal Programs		$ 8,772,642

See accompanying notes to supplementary information.

There were no adjustments proposed to any funds of the District

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2016
(UNAUDITED)

General Fund	(Budget) 2017	2016	2015	2014
Revenues and other financing sources	$ 77,849,155	$ 80,960,864	$ 69,822,264	$ 58,668,821
Expenditures	75,901,755	72,842,299	65,855,797	56,985,057
Other uses and transfers out	806,523	1,160,522	3,482,880	1,862,224
Total outgo	76,708,278	74,002,821	69,338,677	58,847,281
Change in fund balance	$ 1,140,877	$ 6,958,043	$ 483,587	$ (178,460)
Ending fund balance	$ 21,236,670	$ 20,095,793	$ 13,137,750	$ 12,654,163
Available reserves	$ 4,554,105	$ 4,230,195	$ 4,171,001	$ 8,539,810
Designated for economic uncertainties	$ 4,554,105	$ 4,230,195	$ 4,171,001	$ 3,665,774
Undesignated fund balance	$ -	$ -	$ -	$ 4,875,036
Available reserves as percentages of total outgo	5.94%	5.72%	6.02%	14.5%
All Funds				
Total long-term liabilities	$ 232,129,318	$ 240,744,151	$ 204,952,669	$ 153,199,696
Average daily attendance at P-2, excluding Adult and Charter School	7,326	7,245	7,262	7,118

The General Fund fund balance has increased by $7,263,170 over the past three years. The fiscal year 2016-2017 budget projects an increase of $1,140,877. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2016, the District has met this requirement.

The District has incurred an operating surplus in two of the past three years and anticipates an operating surplus during the fiscal year ending June 30, 2017.

Total long-term liabilities have increased by $87,544,455 over the past two years

Average daily attendance has increased by 127 over the past two years. The District anticipates an increase of 81 ADA for the 2016-2017 fiscal year.

See accompanying notes to supplementary information.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
West Sacramento Early College Prep Charter School	Separate Report
Sacramento Valley Charter School	Separate Report

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Washington Unified School District, and is presented on the 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)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2016.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 8,566,410
Less: Child Nutrition: Fresh Fruit & Vegetable funds not spent	10.582	(14,163)
Child Nutrition: NSLP Equipment funds not spent	10.579	(37,100)
Add: Medi-Cal Billing Option funds spent in excess of revenues	93.778	257,495
Total Schedule of Expenditure of Federal Awards		$ 8,772,642

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2016, the District did not adopt this program.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Washington Unified School District
West Sacramento, California

Report on Compliance with State Laws and Regulations

We have audited Washington Unified School District's compliance with the types of compliance requirements described in the State of California's *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2016.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

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

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

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

The District did not expend any Educator Effectiveness funds in the current year, therefore, we did not perform any procedures related to Educator Effectiveness.

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

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform any procedures related to the Independent Study - Course Based program.

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The District does not have any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

The District did not receive Charter School Facility Grant Program funding in the current year, therefore, we did not perform any procedures related to Charter School Facility Grant Program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Washington Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Washington Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2016-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Washington Unified School District did not comply with the requirements regarding the School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Washington Unified School District to comply with the requirements applicable to state laws and regulations applicable to School Accountability Report Card.

(Continued)

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Washington Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

Other Matter

Washington Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Washington Unified School District's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 2, 2016

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*

Board of Education
Washington Unified School District
West Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Washington Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington Unified School District's internal control.

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

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.

We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2016-001.

Compliance and Other Matters

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

(Continued)

Washington Unified School District's Response to Finding

Washington Unified School District's response to the finding identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Washington Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 2, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Washington Unified School District
West Sacramento, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 2, 2016

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster
10.555	Child Nutrition: School Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Qualified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 DEFICIENCY- INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Westmore Oaks Elementary, a fundraiser was held and there were no detailed schedules defining the number of items receipted and the price per item. In addition, the deposit into the bank was not made in a timely manner.

At River City High School, detailed schedules defining the number of items receipted and the price per item was not required when turning in deposits.

Effect

There exists a risk that Associated Student Body funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been consistently followed.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement and consistently apply proper control procedures in order to protect Associated Student Body funds from misappropriation.

Corrective Action Plan

Training was provided by Fiscal Services on October 24, 2016 to the Principal of Westmore Oaks on the proper procedures for the Associated Student Body. Fiscal Services will continue to monitor and advise River City High School of the proper procedures.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 DEFICIENCY - STATE COMPLIANCE - SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria

School Accountability Report Card in California Public Schools, Education Code Section 33126(b)(8) - Each District must complete a Facility Inspection Tool (FIT), School Facility Conditions Evaluation for each site.

Condition

At Westmore Oaks Elementary, the information on the FIT and School Accountability Report Cart were not consistent.

Effect

The School Accountability Report Card and the FIT reports could be misleading as they might not reflect current conditions at the school.

Cause

Adequate procedures are not in place to ensure the FIT and the School Accountability Report card are consistent.

Fiscal Impact

Not determinable.

Recommendation

The District should develop and implement procedures to ensure compliance with School Accountability Report Card and the required FIT.

Corrective Action Plan

The District has implemented a control, to have a second review, to catch errors before submittal.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2015-001 Condition: At two locations selected, River City High School and Bridgeway Island Elementary, the District did not complete the Facility Inspection Tool (FIT). Recommendation: The District should develop and implement procedures to ensure compliance with School Accountability Report Card and the required FIT.	Partially implemented	See current year finding 2016-002.