WASHINGTON UNIFIED SCHOOL DISTRICT
West Sacramento, California

FINANCIAL STATEMENTS
June 30, 2015

WASHINGTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015
(Continued)

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WASHINGTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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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, 2015, 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, 2015, 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)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in Notes 7 and 8, GASB Statements 68 and 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 10 and the Required Supplementary Information, such as the General 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 53 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 *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 3, 2015 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 3, 2015

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, 2015. 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: Together We Can Make a Difference.

FINANCIAL HIGHLIGHTS

- The Adopted Budget Unrestricted General Fund projected a surplus of $1,301,503 and the Adopted Budget Restricted General Fund projected a deficit of $855,210. The year ended with an Unrestricted General Fund surplus of $1,215,304 and a Restricted General Fund deficit of $730,768.
- Contributions to restricted programs were $835,934 or 14% more than projected at the second financial reporting period for fiscal 2014-2015. The increase 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 $13,137,750. This is an increase of $117,426 over the prior fiscal year.
- Employee compensation increased by 5% for all employee groups for the 2014-15 fiscal year. In addition, all employee's compensation was increased an additional 3% beginning July 1, 2015.
- 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. The bond proceeds will fund an additional classroom building at the River City High School, the Bryte CTE campus, districtwide roofing projects, as well as safety and access projects.
- In November of 2014, the Board of Education authorized the issuance of a Certificate of Participation in the amount of $6.9M. This borrowing is solely to finance the Solar Power Phase #3 project, which included a limited lighting and plumbing upgrade. The project is expected to be completed by the first quarter of 2016.
- The District technology team embarked on and substantially completed a districtwide wireless network project valued at $915,000.
- Capital outlay expenditures were $6,572,753. The majority of these expenditures are attributable to the districtwide wireless network project, the Bryte CTE campus project, and the Solar Power Phase #3 project.
- 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 are spent are still being developed with implementation being dictated by the Local Control Accountability Plan.

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 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 $71.6 million for the fiscal year ended June 30, 2015, resulting in a decrease from the prior fiscal period's restated net position by $53.9 million. The Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, 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 had to be restated to show deferred outflows of resources for pensions of $3.9 million and the net pension liability of $55.4 million. Because of these restatements, the District's net position for the fiscal year ending June 30, 2014 has been restated to $70.0 million from $125.5 million.

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

Table 1

(Amounts in millions)	2015 Governmental Activities	2014 Governmental Activities	2013 Governmental Activities
Current and other assets	$ 49.5	$ 45.7	$ 49.2
Capital Assets	247.5	247.1	246.5
Total Assets	**297.0**	**292.8**	**295.7**
Deferred Outflows of Resources	**5.1**	**1.3**	**1.5**
Current liabilities	20.0	15.4	14.1
Long-term liabilities	197.7	150.9	152.7
Total Liabilities	**217.7**	**166.3**	**166.8**
Deferred Inflows of Resources	**12.8**	**2.3**	**2.5**
Net assets			
Invested in capital assets, net of related debt	98.3	95.5	92.4
Restricted	19.6	12.2	16.0
Unrestricted	(46.3)	17.8	19.3
Total Net Position	**$ 71.6**	**$ 125.5**	**$ 127.7**

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)	2015 Governmental Activities	2014 Governmental Activities	2013 Governmental Activities
Revenues			
Program revenues:			
Charges for services	$ 0.9	$ 0.9	$ 0.9
Operating grants and contributions	16.0	15.3	17.3
Capital grants and contributions	-	-	-
General revenues:			
State revenue limit souces	45.5	40.0	31.5
Property taxes	18.7	15.5	16.6
Other general revenues	5.6	2.6	0.2
Total Revenues	**86.7**	**74.3**	**66.5**
Expenses			
Instruction and instruction-related activities	49.0	41.7	40.8
Student support services	9.2	8.4	8.4
Administration	5.9	5.9	5.1
Plant services	13.5	13.5	13.7
Other	7.4	7.1	5.2
Total Expenses	**85.0**	**76.6**	**73.2**
Change in Net Position	**$ 1.7**	**$ (2.3)**	**$ (6.7)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all our governmental activities this year was $85 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $18.7 million because the cost was paid by those who benefited from the programs ($900 thousand) or by other governments and organizations who subsidized certain programs with grants and contributions ($16.0 million). We paid for the remaining "public benefit" portion of our governmental activities with $45.5 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)	2015		2014		2013	
	Total	Net	Total	Net	Total	Net
	Cost of Svcs.		Cost of Svcs.		Cost of Svcs.	
Instruction and instruction related activities	$ 49.0	$ 40.0	$ 49.0	$ 33.0	$ 40.8	$ 30.6
Pupil services	9.2	4.6	9.2	3.8	8.3	3.1
General administration	5.9	5.1	5.9	5.0	5.1	4.1
Plant services	13.5	13.4	13.5	13.4	13.7	13.7
Other	7.4	4.9	7.4	5.1	5.2	3.5
Totals	**$ 85.0**	**$ 68.0**	**$ 85.0**	**$ 60.3**	**$ 73.1**	**$ 55.0**

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 $12.654 million to $13.137 million primarily due to the carryover of one-time funding of mandated cost reimbursement(s). In addition, the LCFF and the LCAP created the need for the District to locally restrict funds that had been identified for specific programmatic purposes.

Expenditures in the Building Fund, the Capital Facilities Fund, and the Special Reserve Fund exceeded revenues by $4.3 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 2014-2015 budget continued the practice of conservative budgeting. Although the LCFF projects increases in revenues (2014-2015 saw an increase of $6.6M), 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 2014-2015 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 16.4 full-time equivalent staff and an additional $1.2M 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 2014-2015 was flat year-over-year. As such, 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, 2015, the District had its strongest ending cash position. This is seen in the ratio of receivable to total assets, which is 14.9%; the lowest since the 2007-2008 fiscal year.

Capital Assets

At June 30, 2015, the District had $303.5 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)	2015 Governmental Activities	2014 Governmental Activities	2013 Governmental Activities
Land and construction in progress	$ 35.3	$ 29.5	$ 42.0
Buildings and Improvements	215.1	215.1	201.2
Equipment	2.4	2.5	3.2
Totals	**$ 252.9**	**$ 247.1**	**$ 246.4**

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 Board of Education authorized the issuance of a Certificate of Participation in the amount of $6.9M. This borrowing is solely to finance the Solar Power Phase #3 project, which included a limited lighting and plumbing upgrade. Table 5 shows the long-term liabilities of the District.

Table 5

(Amounts in millions)	2015 Governmental Activities	2014 Governmental Activities	2013 Governmental Activities
General Obligation bonds	$ 70.4	$ 70.0	$ 72.1
Certificates of participation	69.8	65.3	66.7
Compensated absences and retirement incentives	0.2	0.2	0.2
Capital leases	15.8	16.3	16.3
Net Pension Liability	46.6	-	-
Totals	**$ 202.8**	**$ 151.8**	**$ 155.3**

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 for 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 $6.6 million.

Recognizing that the new revenues for fiscal 2015-2016 would continue to be a focal point of stakeholders within the District, the Board of Education moved cautiously and directed the Administration to continue with the implementation of 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 addition, the District developed a plan to implement the new LCCF through the LCAP. The plan is comprehensive in nature and inclusive of a variety of the District's stakeholders which include, but are not limited to, students, parents, community leaders, administrators, and collective bargaining units. The plan, approved by the Board of Education in conjunction with the approval of the budget for fiscal 2014-2015, was updated for 2015-2016 and is the basis for future budget development.

Funding for the implementation of the new Common Core State Standard (CCSS) will be borne by the District as part of the LCFF and one-time reimbursements. For the 2014-2015 fiscal year, the District is expected to receive $3.8 million for this purpose as well as additional funding from an Educator Effectiveness Grant in the amount of $600 thousand.

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, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 45,600,500
Receivables	3,777,319
Prepaid expenses	41,147
Stores inventory	126,229
Non-depreciable capital assets (Note 4)	35,336,106
Depreciable capital assets, net of accumulated depreciation (Note 4)	212,195,238
Total assets	297,076,539
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	3,927,521
Deferred loss on refunding of debt	1,178,267
Total deferred outflows	5,105,788
LIABILITIES	
Accounts payable	9,920,582
Unearned revenue	2,831,124
Long-term liabilities (Note 5):	
Due within one year	7,284,826
Due in more than one year	197,667,843
Total liabilities	217,704,375
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources - pensions (Notes 7 and 8)	12,847,750
NET POSITION	
Net investment in capital assets	98,323,026
Restricted (Note 6)	19,681,284
Unrestricted	(46,374,108)
Total net position	$ 71,630,202

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	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	$ 43,019,089	$ 28,779	$ 8,082,295	$ -	$ (34,908,015)
Instruction-related services:					
Supervision of instruction	1,913,622	-	436,212	-	(1,477,410)
Instructional library, media and technology	230,741	-	-	-	(230,741)
School site administration	3,917,706	4,950	432,858	-	(3,479,898)
Pupil services:					
Home-to-school transportation	2,229,161	-	-	-	(2,229,161)
Food services	4,158,900	903,841	3,083,161	-	(171,898)
All other pupil services	2,855,523	786	651,418	-	(2,203,319)
General administration:					
Data processing	1,806,259	-	5,055	-	(1,801,204)
All other general administration	4,172,931	54,147	769,940	-	(3,348,844)
Plant services	13,562,209	1,347	45,847	-	(13,515,015)
Ancillary services	271,746	-	156	-	(271,590)
Community services	772	-	-	-	(772)
Interest on long-term debt	6,772,283	-	-	-	(6,772,283)
Other outgo	446,114	-	2,495,363	-	2,049,249
Total governmental activities	$ 85,357,056	$ 993,850	$ 16,002,305	$ -	(68,360,901)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					11,008,335
Taxes levied for debt service					6,310,005
Taxes levied for other specific purposes					1,429,239
Federal and state aid not restricted to specific purposes					45,565,737
Interest and investment earnings					118,003
Interagency revenues					49,411
Miscellaneous					5,501,313
Total general revenues					69,982,043
Change in net position					1,621,142
Net position, July 1, 2014					125,493,377
Cumulative effect of GASB 68 implementation					(55,484,317)
Net position, July 1, 2014. as restated					70,009,060
Net position, June 30, 2015					$ 71,630,202

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Cash in County Treasury	$ 15,867,918	$ -	$ 9,992,286	$ 4,664,429	$ 6,343,515	$ 144,031	$ 37,012,179
Cash on hand and in banks	-	-	-	-	-	227,264	227,264
Cash in revolving fund	25,000	-	-	-	-	-	25,000
Cash with Fiscal Agent	-	-	5,413,291	-	-	2,922,766	8,336,057
Receivables	2,817,316	-	257,028	2,854	-	700,121	3,777,319
Prepaid expenditures	950	-	40,197	-	-	-	41,147
Due from other funds	126,510	2,031,529	40,955	-	-	707,922	2,906,916
Stores inventory	21,295	-	-	-	-	104,934	126,229
Total assets	$ 18,858,989	$ 2,031,529	$ 15,743,757	$ 4,667,283	$ 6,343,515	$ 4,807,038	$ 52,452,111
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 4,853,698	$ 2,000,344	$ 576,223	$ 125,586	$ -	$ 178,915	$ 7,734,766
Unearned revenue	170,874	-	-	2,660,250	-	-	2,831,124
Due to other funds	696,667	31,185	2,050,273	-	-	128,791	2,906,916
Total liabilities	5,721,239	2,031,529	2,626,496	2,785,836	-	307,706	13,472,806
Fund balances:							
Nonspendable	47,245	-	40,197	-	-	104,934	192,376
Restricted	2,175,786	-	13,077,064	1,881,447	6,343,515	4,394,398	27,872,210
Assigned	6,743,718	-	-	-	-	-	6,743,718
Unassigned	4,171,001	-	-	-	-	-	4,171,001
Total fund balances	13,137,750	-	13,117,261	1,881,447	6,343,515	4,499,332	38,979,305
Total liabilities and fund balances	$ 18,858,989	$ 2,031,529	$ 15,743,757	$ 4,667,283	$ 6,343,515	$ 4,807,038	$ 52,452,111

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET - TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - Governmental Funds		$ 38,979,305
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 $303,493,136 and the accumulated depreciation is $55,961,792 (Note 4).		247,531,344
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, 2015 consisted of (Note 5):		
General Obligation Bonds	$ (55,333,895)	
Accreted interest	(13,109,089)	
Unamortized premiums on debt	(1,986,669)	
Certificates of Participation	(69,825,000)	
Qualified School Construction Bonds	(8,885,432)	
Clean Renewable Energy Bonds	(6,916,707)	
Capitalized leases obligations	(70,669)	
Net pension liability (Notes 7 and 8)	(46,588,000)	
Other post-employment benefits (Note 9)	(2,050,028)	
Compensated absences	(187,180)	
		(204,952,669)
Unmatured interest on long-term liabilities is recognized in the period incurred.		(2,185,816)
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.		1,178,267
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	3,927,521	
Deferred inflows of resources relating to pensions	(12,847,750)	
		(8,920,229)
Total net position - governmental activities		$ 71,630,202

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, 2015

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:							
Local Control Funding Formula (LCFF):							
State apportionment	$ 44,192,798	$ -	$ 149,000	$ -	$ -	$ 149,000	$ 44,490,798
Local sources	10,460,163	-	-	-	-	-	10,460,163
Total LCFF	54,652,961	-	-	-	-	149,000	54,950,961
Federal sources	4,024,853	-	-	-	-	3,388,929	7,413,782
Other state sources	6,501,300	-	-	654,493	34,191	1,237,115	8,427,099
Other local sources	3,415,488	-	4,499,136	13,660	6,285,736	1,659,385	15,873,405
Total revenues	68,594,602	-	4,499,136	668,153	6,319,927	6,434,429	86,665,247
Expenditures:							
Current:							
Certificated salaries	30,289,956	-	-	-	-	600,729	30,890,685
Classified salaries	9,940,549	-	84,960	-	-	1,916,942	11,942,451
Employee benefits	12,413,898	-	28,973	-	-	790,801	13,233,672
Books and supplies	3,272,060	-	2,818	-	-	1,946,358	5,221,236
Contract services and operating expenditures	8,406,482	102,652	822,193	-	-	531,845	9,863,172
Other outgo	179,371	-	-	-	-	-	179,371
Capital outlay	1,353,481	3,478,877	1,417,001	323,396	-	41,544	6,614,299
Debt service:							
Principal retirement	-	-	1,525,333	-	2,545,000	389,553	4,459,886
Interest	-	-	3,230,499	-	1,936,604	498,062	5,665,165
Total expenditures	65,855,797	3,581,529	7,111,777	323,396	4,481,604	6,715,834	88,069,937
Excess (deficiency) of revenues over (under) expenditures	2,738,805	(3,581,529)	(2,612,641)	344,757	1,838,323	(281,405)	(1,553,690)
Other financing sources (uses):							
Interfund transfers in	1,227,662	3,581,529	-	1,536,690	-	1,946,190	8,292,071
Interfund transfers out	(3,482,880)	-	(3,581,529)	-	-	(1,227,662)	(8,292,071)
Proceeds from certificates of participation	-	-	6,055,000	-	-	-	6,055,000
Total other financing sources (uses)	(2,255,218)	3,581,529	2,473,471	1,536,690	-	718,528	6,055,000
Change in fund balances	483,587	-	(139,170)	1,881,447	1,838,323	437,123	4,501,310
Fund balances, July 1, 2014	12,654,163	-	13,256,431	-	4,505,192	4,062,209	34,477,995
Fund balances, June 30, 2015	$ 13,137,750	$ -	$ 13,117,261	$ 1,881,447	$ 6,343,515	$ 4,499,332	$ 38,979,305

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - Total Governmental Funds	$ 4,501,310
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).	6,614,300
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,139,701)
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):	(6,055,000)
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).	4,459,886
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.	(150,478)
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)	277,516
Accreted interest is an expense that is not recorded in the governmental funds (Note 5)	(954,567)
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.	(279,589)
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).	(636,915)
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).	(23,912)
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).	8,292
Change in net position of governmental activities	$ 1,621,142

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2015

	Foundation Trust Fund	Student Body Funds
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	$ 4,006	$ -
Cash on hand and in banks	-	229,045
Investments	40,000	-
Receivables	2	-
Total assets	44,008	229,045
LIABILITIES		
Due to student groups	-	229,045
NET POSITION		
Restricted	$ 44,008	$ -

See accompanying notes to financial statements.

WASHINGTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	Foundation Trust Fund
Additions:	
Interest	$ 13
Deductions:	
Contract services and operating expenditures	500
Change in net position	(487)
Net position, July 1, 2014	44,495
Net position, June 30, 2015	$ 44,008

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.

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.

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 Special Reserve for Capital Outlay Projects Fund is a capital projects fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

The 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, Child Development, and Cafeteria Funds.

The County School Facilities Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

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 adct as an Agent. All cash activity and assets of the various student bodies of the District are accoounted 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, 2015.

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 fair market value as of the date received. 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. Amortization for the year ended June 30, 2015 totaled $150,478. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

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.

(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	$ 2,674,147	$ 1,253,374	$ 3,927,521
Deferred inflows of resources	$ 8,815,000	$ 4,032,750	$ 12,847,750
Net pension liability	$ 35,796,000	$ 10,792,000	$ 46,588,000
Pension expense	$ 4,945,884	$ 849,549	$ 5,795,433

Compensated Absences: Compensated absences totaling $187,180 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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.

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 unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. 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, 2015, 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, 2015, 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, 2015, 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.

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for the District's financial period beginning June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by $55,484,317 because of the recognition of the beginning of year net pension liability and deferred outflow of resources.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2013 GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The Statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements, however it is expected to be significant.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 are reported at fair value and consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 37,012,179	$ 4,006
Local Agency Investment Fund	-	40,000
Total pooled funds	37,012,179	44,006
Deposits:		
Cash on hand and in banks	227,264	229,045
Cash in revolving fund	25,000	-
Total deposits	252,264	229,045
Investments:		
Cash with Fiscal Agent	8,336,057	-
Total cash and investments	$ 45,600,500	$ 273,051

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Yolo County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Yolo County Treasurer may invest in derivative securities. However, at June 30, 2015, the Yolo County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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, 2015, the carrying amount of the District's accounts was $481,309 and the bank balance was $477,705. The total uninsured bank balance at June 30, 2015 was $499.

Cash with Fiscal Agent: The Cash with Fiscal Agent in the Governmental Funds represents Debt proceeds that have been set aside for capital projects and the repayment of long-term liabilities. These amounts are held by a third party custodian in the District's name.

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, 2015, 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, 2015, 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, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 126,510	$ 696,667
Building	2,031,529	31,185
Capital Facilities	40,955	2,050,273
Non-Major Funds:		
Child Development	149,501	43,672
Cafeteria	2,281	85,118
County School Facilities	-	1
Debt Service	556,140	-
Totals	$ 2,906,916	$ 2,906,916

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 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to cover operating costs.	$ 330,758
Transfer from the General Fund to the Cafeteria Fund to cover operating costs.	700,000
Transfer from the General Fund to the Debt Service Fund to make qualified school construction bond payment.	555,340
Transfer from the General Fund to the Debt Service Fund to make clean renewable energy bond principal payment.	360,092
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to pay for emergency repair program.	1,536,690
Transfer from the Capital Facilities Fund to the Building Fund to cover cash flow.	1,550,000
Transfer from the Capital Facilities Fund to the Building Fund to loan fund which will be repaid in future period.	2,031,529
Transfer from the Child Development Fund to the General Fund to loan funds which will be repaid in future period.	300,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	89,255
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	238,407
Transfer from the Cafeteria Fund to the General Fund to loan funds which will be repaid in future period.	600,000
	$ 8,292,071

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

Governmental Activities	Balance July 1, 2014	Transfers and Additions	Transfers and Deductions	Balance June 30, 2015
Non-depreciable:				
Land	$ 29,155,759	$ -	$ -	$ 29,155,759
Work-in-process	311,839	6,001,606	(133,098)	6,180,347
Depreciable:				
Buildings	219,591,412	125,909	-	219,717,321
Site improvements	37,636,885	191,037	-	37,827,922
Equipment	10,182,941	428,846	-	10,611,787
Totals, at cost	296,878,836	6,747,398	(133,098)	303,493,136
Less accumulated depreciation:				
Buildings	(36,142,359)	(4,823,059)	-	(40,965,418)
Site improvements	(5,945,904)	(799,897)	-	(6,745,801)
Equipment	(7,733,828)	(516,745)	-	(8,250,573)
Total accumulated depreciation	(49,822,091)	(6,139,701)	-	(55,961,792)
Capital assets, net	$ 247,056,745	$ 607,697	$ (133,098)	$ 247,531,344

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 11,160
Home to school	64,845
Food services	10,397
All other pupil services	3,493
All other general administration	1,275
Centralized Data Processing	237,806
Plant services	5,810,725
Total depreciation expense	$ 6,139,701

(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, $22,480,000 of the current interest Series A bonds were refunded.

The annual requirements to amortize the remaining current appreciation bonds as of June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2021-2025	$ 3,089,002	$ 6,009,972	$ 9,098,974
2026-2030	7,465,038	18,003,258	25,468,296
	$ 10,554,040	$ 24,013,230	$ 34,567,270

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.

The annual requirements to amortize the bonds as of June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 370,000	$ 141,275	$ 511,275
2017	410,000	125,675	535,675
2018	465,000	108,175	573,175
2019	515,000	88,575	603,575
2020	575,000	66,775	641,775
2021-2025	2,505,712	1,625,270	4,130,982
2026-2030	2,014,893	4,932,349	10,408,494
2031-2032	3,724,828	6,683,666	10,408,494
	$ 10,580,433	$ 13,771,760	$ 27,813,445

(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.

The annual requirements to amortize the bonds as of June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 170,000	$ 149,319	$ 319,319
2017	200,000	141,919	341,919
2018	245,000	133,019	378,019
2019	285,000	122,419	407,419
2020	335,000	110,019	445,019
2021-2025	2,545,000	286,621	2,831,621
2026-2030	2,451,270	4,135,779	6,587,049
2031-2032	828,152	1,940,544	2,768,696
	$ 7,059,422	$ 7,019,639	$ 14,079,061

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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 495,000	$ 272,150	$ 767,150
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
2021-2025	4,070,000	626,900	4,696,900
2026	1,000,000	20,000	1,020,000
	$ 7,945,000	$ 1,851,350	$ 9,796,350

(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 are 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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 1,705,000	$ 733,700	$ 2,438,700
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
2021-2022	9,105,000	570,700	9,675,700
	$ 19,195,000	$ 3,478,700	$ 22,673,700

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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 1,560,000	$ 3,165,700	$ 4,725,700
2017	1,625,000	3,098,019	4,723,019
2018	1,690,000	3,021,238	4,711,238
2019	1,785,000	2,934,363	4,719,363
2020	1,860,000	2,843,237	4,703,237
2021-2025	10,835,000	12,682,063	23,517,063
2026-2030	13,830,000	9,613,938	23,443,938
2031-2035	17,665,000	5,661,769	23,326,769
2036-2038	12,920,000	1,015,517	13,935,517
	$ 63,770,000	$ 44,035,844	$ 107,805,844

(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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ -	$ 204,659	$ 204,659
2017	85,000	209,906	294,906
2018	80,000	208,206	288,206
2019	90,000	206,606	296,606
2020	100,000	204,806	304,806
2021-2025	725,000	975,031	1,700,031
2026-2030	1,220,000	828,456	2,048,456
2031-2035	1,730,000	576,725	2,306,725
2036-2040	2,025,000	248,629	2,273,629
	$ 6,055,000	$ 3,663,024	$ 9,718,024

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, 2014, $- 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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ -	$ 126,172	$ 126,172
2017	-	126,172	126,172
2018	-	126,172	126,172
2019	-	126,172	126,172
2020	-	126,175	126,175
2021-2025	-	630,860	630,860
2026	8,885,432	31,543	8,916,975
	$ 8,885,432	$ 1,293,266	$ 10,178,698

(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, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 397,656	$ 352,060	$ 749,716
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
2021-2025	2,297,446	1,003,725	3,301,171
2026-2030	2,546,532	394,189	2,940,721
	$ 6,916,707	$ 2,931,555	$ 9,848,262

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, 2015 of $38,160.

Future yearly payments on the capitalized lease obligations are as follows:

Years Ended June 30,	
2016	$ 35,333
2017	35,336
	$ 70,669

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 57,878,895	$ -	$ 2,545,000	$ 55,333,895	$ 2,740,000
Accreted Interest	12,154,522	954,567	-	13,109,089	1,809,625
Premium on issuance of long-term debt	2,264,185	-	277,516	1,986,669	277,516
Certificates of Participation	65,260,000	6,055,000	1,490,000	69,825,000	1,560,000
Qualified School Construction Bonds	8,885,432	-	-	8,885,432	-
Clean Renewable Energy Bonds	7,306,260	-	389,553	6,916,707	397,656
Capitalized lease obligations	106,002	-	35,333	70,669	35,333
Net pension liability (Notes 7 and 8)	58,877,000	-	12,289,000	46,588,000	-
Other post-employment benefits (Note 9)	1,413,113	972,835	335,920	2,050,028	-
Compensated absences	195,472	-	8,292	187,180	187,180
	$ 214,340,881	$ 7,982,402	$ 17,370,614	$ 204,952,669	$ 7,284,826

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.

NOTE 6 - RESTRICTED NET POSITION / FUND BALANCE

Restricted net position consisted of the following at June 30, 2015:

	Governmental Activities
Restricted for unspent categorical program revenues	$ 2,175,786
Restricted for special revenues	1,018,730
Restricted for debt service	6,901,351
Restricted for capital projects	9,585,417
Total restricted net position	$ 19,681,284

(Continued)

NOTE 6 - RESTRICTED NET POSITION / FUND BALANCE (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:							
Revolving cash fund	$ 25,000	$ -	$ -	$ -	$ -	$ -	$ 25,000
Prepaid expenditures	950	-	40,197	-	-	-	41,147
Stores inventory	21,295	-	-	-	-	104,934	126,229
Subtotal nonspendable	47,245	-	40,197	-	-	104,934	192,376
Restricted:							
Unspent categorical revenues	2,175,786	-	-	-	-	-	2,175,786
Special revenue programs	-	-	-	-	-	913,796	913,796
Capital projects	-	-	13,077,064	1,881,447	-	-	14,958,511
Debt service	-	-	-	-	6,343,515	3,480,602	9,824,117
Subtotal restricted	2,175,786	-	13,077,064	1,881,447	6,343,515	4,394,398	27,872,210
Assigned:							
Deferred maintenance reserve	1,750,000	-	-	-	-	-	1,750,000
Common core implementation	656,081	-	-	-	-	-	656,081
1:1 Devices	2,026,751	-	-	-	-	-	2,026,751
Capital investments	2,310,886	-	-	-	-	-	2,310,886
Subtotal assigned	6,743,718	-	-	-	-	-	6,743,718
Unassigned:							
Designated for economic uncertainty	4,171,001	-	-	-	-	-	4,171,001
Subtotal unassigned	4,171,001	-	-	-	-	-	4,171,001
Total fund balances	$ 13,137,750	$ -	$ 13,117,261	$ 1,881,447	$ 6,343,515	$ 4,499,332	$ 38,979,305

(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 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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 – 8.88 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 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
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 $2,674,147 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. This portion of the state appropriation totaled $527 million in fiscal year 2013-14.

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 2014-15 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, 2014	2.017%	1.437%	2.50%	5.954%
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, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 35,796,000
State's proportionate share of the net pension liability associated with the District	21,615,000
Total	$ 57,411,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District's proportion was 0.061 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of $4,945,884 and revenue of $1,357,966 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	8,815,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	2,674,147	-
Total	$ 2,674,147	$ 8,815,000

$2,674,147 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, 2016. 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,	
2016	$ 2,203,750
2017	$ 2,203,750
2018	$ 2,203,750
2019	$ 2,203,750

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 June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
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

(Continued)

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	$ 55,797,000	$ 35,796,000	$ 19,119,000

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-2014.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.

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, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $1,253,374 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $10,792,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District's proportion was 0.095 percent, which was an increase of 0.00003 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $849,549. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	3,708,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	324,750
Contributions made subsequent to measurement date	1,253,374	-
Total	$ 1,253,374	$ 4,032,750

(Continued)

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

$1,253,374 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, 2016. 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,	
2016	$ 1,035,250
2017	$ 1,035,250
2018	$ 1,035,250
2019	$ 927,000

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
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	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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.

(Continued)

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 18,878,000	$ 10,792,000	$ 3,934,000

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. 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, 2015, the District contributed only for pay-as-you-go in the amount of $335,920.

(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	$ 973,576
Interest on net OPEB obligation	67,123
Adjustment to annual required contribution	(67,864)
Annual OPEB cost (expense)	972,835
Contributions made	(335,920)
Increase in net OPEB obligation	636,915
Net OPEB obligation - beginning of year	1,413,113
Net OPEB obligation - end of year	$ 2,050,028

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, 2015 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 846,641	102.7%	$ 1,110,041
June 30, 2014	$ 979,221	69.0%	$ 1,413,113
June 30, 2015	$ 972,835	34.5%	$ 2,050,028

As of April 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $6.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $6.6 million. The covered payroll (annual payroll of active employees covered by the Plan) was $39 million, and the ratio of the UAAL to the covered payroll was 12.7 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, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 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, 2015, 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 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 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 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 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, 2015, the District has $15.3 million in outstanding commitments on construction contracts.

NOTE 12 - SUBSEQUENT EVENTS

In July 2015, the District issued General Obligation Refunding Bond, Series 2015, totaling $5,945,000. The General Obligation Refunding Bond Series 2015 is being issued by the District to refund outstanding general obligation bonds of the District and to pay capitalized interest on the Refunding Bonds. The bonds are payable from ad valorem taxes levied on taxable property in the District. The bond will bear interest at rates ranging from 3.00% to 5.00%, and mature in 2025.

In July 2015, the District issued General Obligation Bond Election 2014, Series 2015, totaling $24,900,000. The bonds are payable from ad valorem taxes levied on taxable property in the District. The bond will bear interest at rates ranging from 3.00% to 5.00%, and mature in 2040.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 44,426,680	$ 44,919,434	$ 44,192,798	$ (726,636)
Local sources	8,750,709	9,793,169	10,460,163	666,994
Total LCFF	53,177,389	54,712,603	54,652,961	(59,642)
Federal sources	4,034,360	4,663,134	4,024,853	(638,281)
Other state sources	3,181,004	5,074,013	6,501,300	1,427,287
Other local sources	2,565,771	3,374,767	3,415,488	40,721
Total revenues	62,958,524	67,824,517	68,594,602	770,085
Expenditures:				
Current:				
Certificated salaries	29,588,676	31,760,309	30,289,956	1,470,353
Classified salaries	9,470,924	10,431,763	9,940,549	491,214
Employee benefits	11,052,501	11,650,686	12,413,898	(763,212)
Books and supplies	2,357,979	3,743,487	3,272,060	471,427
Contract services and operating expenditures	8,951,644	8,570,158	8,406,482	163,676
Other outgo	152,014	168,335	179,371	(11,036)
Capital outlay	650,000	1,833,628	1,353,481	480,147
Total expenditures	62,223,738	68,158,366	65,855,797	2,302,569
Excess (deficiency) of revenues over (under) expenditures	734,786	(333,849)	2,738,805	3,072,654
Other financing sources (uses):				
Interfund transfers in	329,502	320,882	1,227,662	906,780
Interfund transfers out	(617,995)	(2,154,685)	(3,482,880)	(1,328,195)
Total other financing sources (uses)	(288,493)	(1,833,803)	(2,255,218)	(421,415)
Change in fund balance	446,293	(2,167,652)	483,587	2,651,239
Fund balance, July 1, 2014	12,654,163	12,654,163	12,654,163	-
Fund balance, June 30, 2015	$ 13,100,456	$ 10,486,511	$ 13,137,750	$ 2,651,239

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	13.1%
April 1, 2014	$ -	$ 6.6 million	$ 6.6 million	0%	$ 38.6 million	12.7%

Only two years of actuarial valuation data is provided because the District has only had two valuations performed.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.061%
District's proportionate share of the net pension liability	$ 35,796,000
State's proportionate share of the net pension liability associated with the District	21,615,000
Total net pension liability	$ 57,411,000
District's covered-employee payroll	$ 27,283,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

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

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
Contractually required contribution	$	2,674,147
Contributions in relation to the contractually required contribution	$	2,674,147
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	30,114,000
Contributions as a percentage of covered-employee payroll		8.88%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

		2015
Contractually required contribution	$	1,253,374
Contributions in relation to the contractually required contribution	$	1,253,374
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	10,648,000
Contributions as a percentage of covered-employee payroll		11.77%

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 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, 2015 were as follows:

Fund	Excess Expenditures
General Fund:	
Employee Benefits	$ 763,212

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

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Debt Service Fund	Total
ASSETS						
Cash in County Treasury	$ (14,091)	$ 54,117	$ 104,004	$ 1	$ -	$ 144,031
Cash with Fiscal Agent	-	-	-	-	2,922,766	2,922,766
Cash on hand and in banks	-	-	227,264	-	-	227,264
Receivables	43,761	126,212	528,452	-	1,696	700,121
Store inventory	-	-	104,934	-	-	104,934
Due from other funds	-	149,501	2,281	-	556,140	707,922
Total assets	$ 29,670	$ 329,830	$ 966,935	$ 1	$ 3,480,602	$ 4,807,038
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 5,281	$ 86,158	$ 87,476	$ -	$ -	$ 178,915
Due to other funds	-	43,672	85,118	1	-	128,791
Total liabilities	5,281	129,830	172,594	1	-	307,706
Fund balances:						
Nonspendable	-	-	104,934	-	-	104,934
Restricted	24,389	200,000	689,407	-	3,480,602	4,394,398
Total fund balances	24,389	200,000	794,341	-	3,480,602	4,499,332
Total liabilities and fund balances	$ 29,670	$ 329,830	$ 966,935	$ 1	$ 3,480,602	$ 4,807,038

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Debt Service Fund	Total
Revenues:						
Local control funding formula (LCFF):						
State apportionment	$ 149,000	$ -	$ -	$ -	$ -	$ 149,000
Federal sources	24,387	118,133	3,042,545	-	203,864	3,388,929
Other state sources	13,290	1,019,804	204,021	-	-	1,237,115
Other local sources	12,490	278,027	967,298	-	401,570	1,659,385
Total revenues	199,167	1,415,964	4,213,864	-	605,434	6,434,429
Expenditures:						
Current:						
Certificated salaries	114,447	486,282	-	-	-	600,729
Classified salaries	5,639	536,261	1,375,042	-	-	1,916,942
Employee benefits	21,751	323,651	445,399	-	-	790,801
Books and supplies	15,136	46,211	1,885,011	-	-	1,946,358
Contract services and operating expenditures	23,852	23,518	484,475	-	-	531,845
Capital outlay	-	41,544	-	-	-	41,544
Debt service:						
Principal retirement	-	-	-	-	389,553	389,553
Interest	-	-	-	-	498,062	498,062
Total expenditures	180,825	1,457,467	4,189,927	-	887,615	6,715,834
Excess (deficiency) of revenues over (under) expenditures	18,342	(41,503)	23,937	-	(282,181)	(281,405)
Other financing sources (uses):						
Interfund transfers in	-	330,758	700,000	-	915,432	1,946,190
Interfund transfers out	-	(389,255)	(838,407)	-	-	(1,227,662)
Total other financing sources (uses)	-	(58,497)	(138,407)	-	915,432	718,528
Net change in fund balances	18,342	(100,000)	(114,470)	-	633,251	437,123
Fund balances, July 1, 2014	6,047	300,000	908,811	-	2,847,351	4,062,209
Fund balances, June 30, 2015	$ 24,389	$ 200,000	$ 794,341	$ -	$ 3,480,602	$ 4,499,332

WASHINGTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets:				
Cash on hand and in banks:				
Bridgeway Island Elementary	$ 14,219	$ 42,586	$ 46,821	$ 9,984
Westmore Oaks Elementary	4,921	30,455	25,554	9,822
Riverbank Elementary	119	-	119	-
Stonegate Elementary	11,740	62,129	57,901	15,968
River City High	169,711	345,505	323,114	192,102
Yolo High	2,841	214	1,886	1,169
Total assets	$ 203,551	$ 480,889	$ 455,395	$ 229,045
Liabilities:				
Due to student groups	$ 203,551	$ 480,889	$ 455,395	$ 229,045

Washington Unified School District was established on July 1, 1957 and comprises an area of approximately 23 square miles located in Yolo County. The District operates seven elementary schools, one high school, a continuation high school, an independent study program, several preschool programs, and an adult education program. 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
Mary Leland	Trustee	2016

ADMINISTRATION

Dayton Gilleland, Ed.D.
Superintendent

Scott Lantsberger
Assistant Superintendent, Business Services

Rebecca Gillespie, Ed.D.
Assistant Superintendent, Human Resources

William Spalding
Assistant Superintendent, Educational Services

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

	Second Period Report	Annual Report
DISTRICT		
Elementary:		
Transitional Kindergarten through Third	2,409	2,409
Fourth through Sixth	1,712	1,712
Seventh and Eighth	1,025	1,023
Subtotal Elementary	5,146	5,144
Secondary:		
Ninth through Twelfth	2,116	2,105
Subtotal Secondary	2,116	2,105
District Totals	7,262	7,249

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015

Grade Level	Statutory 1986-87 Minutes Require-ment	Reduced 1986-87 Minutes Require-ment	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
District:					
Kindergarten	36,000	35,000	36,000	180	In Compliance
Grade 1	50,400	49,000	51,150	180	In Compliance
Grade 2	50,400	49,000	51,150	180	In Compliance
Grade 3	50,400	49,000	51,150	180	In Compliance
Grade 4	54,000	52,500	53,250	180	In Compliance
Grade 5	54,000	52,500	53,250	180	In Compliance
Grade 6	54,000	52,500	54,480	180	In Compliance
Grade 7	54,000	52,500	54,480	180	In Compliance
Grade 8	54,000	52,500	54,480	180	In Compliance
Grade 9	64,800	63,000	66,304	180	In Compliance
Grade 10	64,800	63,000	66,304	180	In Compliance
Grade 11	64,800	63,000	66,304	180	In Compliance
Grade 12	64,800	63,000	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, 2015

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	$ 1,236,259
84.027	Special Education, Part B Private School ISPs,	10115	10,312
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	62,549
84.173	Special Education: IDEA Preschool Grants, Part B	13430	23,155
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Sec 619	13431	248
84.027A	Special Education: IDEA Mental Health Services	14468	72,331
	Subtotal Special Education Cluster		1,404,854
	Adult Education Programs:		
84.002	Adult Education: Adult Basic Education and Education State Leadership	13978	11,500
84.002A	Adult Education: Adult Basic Education & ESL	14508	12,887
	Subtotal Adult Education Programs		24,387
84.323	Special Education: State Improvement Grant,	14920	22,795
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	1,627,961
84.048	Vocational Education, Carl Perkins Act	14894	72,835
84.060	Indian Education	10011	8,790
84.367	NCLB: Title II, Part A, Teacher Quality	14341	462,000
84.365	NCLB: Title LLL, Limited English Proficient (LEP) Student Program	14346	131,342
	Total U.S. Department of Education		3,754,964
U.S. Department of Agriculture - Passed through California Department of Education			
10.555	Child Nutrition: National School Lunch Program	13396	2,638,884
10.558	Child Nutrition: Centers and Family Day Care Homes	13529	403,661
	Total U.S. Department of Agriculture		3,042,545

(Continued)

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	$ 344,078
93.778	Medi-Cal Administrative Activities	10013	7,059
	Subtotal Medi-Cal programs		351,137
	CCDF Cluster:		
93.596	Child Development: Federal General and State Preschool	13609	76,196
93.575	Child Development: Center-Based CCTR/CSPP/CFCC	15136	41,937
	Subtotal CCDF Cluster		118,133
	Total U.S. Department of health and Human Services		469,270
	Total Federal Programs		$ 7,266,779

See accompanying notes to supplementary information.

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

There were no adjustments proposed to any funds of the District

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2015
(UNAUDITED)

General Fund	(Budget) 2016	2015	2014	2013
Revenues and other financing sources	$ 76,082,172	$ 69,822,264	$ 58,668,821	$ 54,582,800
Expenditures	71,504,024	65,855,797	56,985,057	55,321,687
Other uses and transfers out	802,836	3,482,880	1,862,224	1,628,748
Total outgo	72,306,860	69,338,677	58,847,281	56,950,435
Change in fund balance	$ 3,775,312	$ 483,587	$ (178,460)	$ (2,367,635)
Ending fund balance	$ 16,913,062	$ 13,137,750	$ 12,654,163	$ 12,831,673
Available reserves	$ 4,619,786	$ 4,171,001	$ 8,539,810	$ 8,907,870
Designated for economic uncertainties	$ 4,619,786	$ 4,171,001	$ 3,665,774	$ 3,595,910
Undesignated fund balance	$ -	$ -	$ 4,875,036	$ 5,311,870
Available reserves as percentages of total outgo	6.39%	6.02%	14.5%	15.6%
All Funds				
Total long-term liabilities	$ 197,667,843	$ 204,952,669	$ 153,199,696	$ 155,290,879
Average daily attendance at P-2, excluding Adult and Charter School	7,283	7,262	7,118	6,939

The General Fund fund balance has decreased by $2,062,508 over the past three years. The fiscal year 2015-2016 budget projects an increase of $3,775,312. 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, 2015, the District has met this requirement.

The District has incurred an operating surplus in one of the past three years and anticipates an operating surplus during the fiscal year ending June 30, 2016.

Total long-term liabilities have increased by $49,661,790 over the past two years

Average daily attendance has increased by 323 over the past two years. The District anticipates an increase of 21 ADA for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

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. 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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and was prepared on the modified accrual basis of accounting.

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, 2015.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 7,413,782
Less: Federal interest subsidy on CREB	N/A	(203,864)
Medi-Cal Administrative Activities funds not spent	93.778	(35,330)
Add: Medi-Cal Billing Option funds spent in excess of revenues	93.778	92,191
Total Schedule of Expenditure of Federal Awards		$ 7,266,779

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.

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 2015-2016 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

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 blow
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
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
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
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
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 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 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, of Washington Unified School District. 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 *2014-15 Guide for Annual Audits of K-12 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 below 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 2015-001 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 state laws and regulations.

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 state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Washington Unified School District had not complied with the state laws and regulations.

(Continued)

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 *2014-15 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 3, 2015

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, 2015, 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 3, 2015.

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.

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)

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 3, 2015

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

(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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2015

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 Circular A-133, Section .510(a)?	______ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB: Title I - Basic Grant
84.367	NCLB: Title II, Part A Improving Teacher Quality
10.555	Child Nutrition: National School Lunch Program
10.558	Child Nutrition: Centers and Family Day Care Homes

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	______ Yes __X__ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 DEFICIENCY - STATE COMPLIANCE - SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria

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

Condition

At 2 locations selected, River City High School and Bridgeway Island Elementary, the District did not complete the Facility Inspection Tool (FIT).

Effect

Ratings on the School Accountability Report Card for the FIT repots were not updated and could be misleading as it might not reflect current conditions at the school.

Cause

Adequate procedures are not in place to ensure the Facility Inspection Tool was completed for each site within the District.

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 new policy to complete a Facility Inspection Tool for each site annually.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-001	Implemented	
Associated Student Body reconciliations for Westmore Oaks K-8 School are not being performed and documented on a monthly basis. Also, profit & loss statements for River City High School student funds are not being prepared, instead bank statements are being used to prepare financial information.		
All ASB cash accounts should be reconciled between the cash balance per bank and per books. Reconciliations should be completed monthly and reviewed for accuracy and approval by a second person, such as the Principal, and kept intact with the monthly bank statements.		
2014-002		
The district's accounts payable did not include multiple billings for costs incurred during the 2013-14 school year that total $663,398.	Implemented	
To ensure the completeness of financial data, all invoices be recorded on a timely basis. Once the invoices are entered, payment should not be made until the invoices are approved by the appropriate personnel.		