



WILSONA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

WILSONA SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	54
Cafeteria Fund - Budgetary Comparison Schedule	55
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	56
Schedule of the District's Proportionate Share of the Net Pension Liability	57
Schedule of the District Contributions	58
Note to Required Supplementary Information	59

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	61
Local Education Agency Organization Structure	62
Schedule of Average Daily Attendance	63
Schedule of Instructional Time	64
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	65
Schedule of Financial Trends and Analysis	66
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68
Note to Supplementary Information	69

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	72
Report on Compliance for Each Major Program on Internal Control Over Compliance Required by the Uniform Guidance	74
Report on State Compliance	76

WILSONA SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	80
Financial Statement Findings	81
Federal Awards Findings and Questioned Costs	82
State Awards Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	84
Management Letter	85

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Wilsona School District
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilsona School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilsona School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 through 13, budgetary comparison schedules on pages 54 through 55, schedule of other postemployment benefits funding progress on page 56, schedule of the District's proportionate share of net pension liability on page 57, and the schedule of District contributions on page 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilsona School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the Wilsona 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 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 Wilsona School District's 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 Wilsona School District's internal control over financial reporting and compliance.

Vavink, Inc, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2017



Wilsona School District

Board of Trustees

Diana Callari
Vladimir Gomez
Victoria Green
Robert Harris
Anne Misicka

Superintendent

Teresa Grey

18050 East Avenue O, Palmdale, CA 93591 ♦ Phone: (661) 264-1111 ♦ Fax: (661) 261-3259

This section of Wilsona School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34.

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

The *Fund Financial Statements* include statements for government activity.

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

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

The Primary unit of the government is the Wilsona School District.

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's net position decreased from \$5,212,648 to \$4,747,883:

- Overall revenues were \$17,163,111 and expenditures were \$18,657,991 for a net deficiency of \$1,494,880.
- In the General Fund, revenues totaled \$16,151,394 and expenditures and transfers out totaled \$17,226,885 resulting in a net decrease to fund balance of \$1,075,494.
- The Cafeteria Fund received revenue of \$996,629 and expenditures totaled \$1,125,330, resulting in a net reduction of \$128,701 to fund balance.
- The Wilsona School District successfully negotiated and closed 2016-2017 fiscal year negotiations with all labor groups prior to the start of the fiscal year. The District closed the fiscal year with a General Fund reserve of 17.79 percent.

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$4,280,261 for the fiscal year ended June 30, 2017. Of this amount, \$(7,603,711) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1), and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 7,839,752	\$ 9,592,586
Capital assets	10,216,376	9,258,789
Total Assets	18,056,128	18,851,375
Deferred Outflows of Resources	4,426,228	5,447,602
Liabilities		
Current liabilities	2,414,545	2,593,799
Long-term obligations	2,122,238	2,025,042
Net pension liability	13,187,518	8,682,000
Total Liabilities	17,724,301	13,300,841
Deferred Inflows of Resources	477,794	5,785,488
Net Position		
Net investment in capital assets	10,216,376	9,258,789
Restricted	1,667,596	622,755
Unrestricted (deficit)	(7,603,711)	(4,668,896)
Total Net Position	\$ 4,280,261	\$ 5,212,648

WILSONA SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Operating grants and contributions	\$ 3,513,736	\$ 3,923,901
Charges for services	8,759	22,132
General revenues:		
Federal and State aid not restricted	12,021,875	11,935,087
Property taxes	1,426,499	1,211,179
Other general revenues	225,092	2,807
Total Revenues	17,195,961	17,095,106
Expenses		
Instruction	10,797,753	10,853,779
Instruction-related	1,040,104	875,592
Pupil Services	2,472,956	1,929,743
Ancillary Services	6,825	15,351
Administration	1,386,849	1,057,632
Plant Services	1,775,758	11,353,247
Other	648,113	340,434
Total Expenditures	18,128,358	26,425,778
Change in Net Position	\$ (932,397)	\$ (9,330,672)

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Activities

As reported in the *Statement of Activities*, on page 15, the cost of all of our governmental activities this year was \$18,128,358. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$1,426,499 because the cost of \$8,759 was paid by those who benefited from the programs, or by other governments and organizations who subsidized certain programs with grants and contributions of \$3,513,736. We paid for the remaining portion of our governmental activities with \$12,021,875 in State and Federal funds and with other revenues, like interest and other miscellaneous earnings of \$225,092.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - regular program instruction, school administration, food and pupil services, pupil transportation, administration, maintenance and operations, and other miscellaneous. 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

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 10,797,753	\$ 8,605,551	\$ 10,853,779	\$ 8,814,878
Instruction-related	1,040,104	986,626	875,592	701,814
Pupil services	2,472,956	1,488,367	1,929,743	887,906
Administration	1,386,849	1,311,528	1,057,632	793,707
Plant Services	1,775,758	1,763,284	11,353,247	10,996,269
Ancillary services	6,825	6,671	15,351	12,304
Other	648,113	443,836	340,434	272,867
Total	\$ 18,128,358	\$ 14,605,863	\$ 26,425,778	\$ 22,479,745

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$5,425,207 which is a decrease of \$1,494,880 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 5,264,871	\$ 16,151,391	\$ 17,226,885	\$ 4,189,377
Cafeteria Fund	1,032,461	996,629	1,125,330	903,760
Capital Facilities Fund	25,201	11,328	-	36,529
County School Facilities Fund	20,036	238	-	20,274
Special Reserve Fund for Capital Outlay Projects	577,518	630,488	932,739	275,267
Total	\$ 6,920,087	\$ 17,790,074	\$ 19,284,954	\$ 5,425,207

The primary reasons for these decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$5,264,871 million to \$4,189,377 million. This increase/decrease is primarily due to:
 - One-time facilities improvement expenses including a new Kindergarten playground and turf field at the middle school
 - Negotiated salary increases for all bargaining units
 - Increase in pension expenses
 - Increase in special education expenses
- b. Our Cafeteria fund continued to spend down its reserve as required by the State approved spending plan.
- c. Our Special Reserve fund was utilized for facilities upgrades and a bus replacement and decreased by \$302,251.

General Fund Budgetary Highlights

During the course of the year, the District revised the annual budget several times for increases in appropriations to prevent budget overruns and deal with unexpected changes in revenue and expenditures. The final revision to the Budget was posted as of June 30, 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 53). Revenue and expenditure revisions were made to the 2016-2017 Budget due to changes in State funding, changes in student enrollment and attendance, changes to Federal grant awards, and increases and savings in expenditures that were confirmed after the Budget was adopted.

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$10,216,376 (net of depreciation) in a broad range of capital assets, including land, construction in process, land improvements, buildings and improvements, and equipment (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land	\$ 151,042	\$ 151,042
Construction in process	454,191	454,191
Buildings and improvements	9,164,603	8,429,413
Equipment	446,540	224,143
Total	\$ 10,216,376	\$ 9,258,789

This year's additions of \$1,490,275 included a new bus, turf field, facilities equipment and technology. No debt was issued for these additions. Several capital projects are planned for the 2017-2018 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the year-end, the District had \$2,122,238 in debt outstanding, versus \$2,025,042 last year, an increase of \$97,196 (Table 6).

Table 6

	Governmental Activities	
	2017	2016
Compensated absences	\$ 47,873	\$ 54,366
Other postemployment benefits	2,074,365	1,970,676
Total	\$ 2,122,238	\$ 2,025,042

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$13,187,518, as a result of the adoption of GASB No. 68, *Accounting and Reporting for Pensions*.

WILSONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of five existing circumstances that could significantly affect its financial health in the future:

- Fiscal year 2017-2018 negotiations with all bargaining units are ongoing and any increases related to future settlements are not included.
- Enrollment and ADA (Average Daily Attendance) are projected to decline.
- In 2017-2018, the District will continue to make payments on the debt owed to Palmdale School District for prior year special education services, in accordance with the agreement reached between the two Districts.
- A trust fund was established in 2015-2016 to begin funding other post-employment benefits (OBEP) and will be monitored closely and contributions made to offset future cost as finances allow.
- Increased costs due to the Federal Minimum Wage increases and scheduled STRS/PERS employer contribution increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, Business Services, at the Wilsona School District, Palmdale, California.

WILSONA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 6,705,367
Receivables	913,514
Prepaid expenses	126,352
Stores inventories	94,519
Capital assets	
Land and construction in process	605,233
Other capital assets	21,239,469
Less: Accumulated depreciation	(11,628,326)
Total Capital Assets	<u>10,216,376</u>
Total Assets	<u><u>18,056,128</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>4,426,228</u>
 LIABILITIES	
Accounts payable	2,304,809
Unearned revenue	109,736
Long-term obligations:	
Noncurrent portion of long-term obligations other than pensions	<u>2,122,238</u>
Aggregate net pension liability	<u>13,187,518</u>
Total Liabilities	<u><u>17,724,301</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension	<u>477,794</u>
 NET POSITION	
Net investment in capital assets	10,216,376
Restricted for:	
Capital projects	56,803
Educational programs	801,934
Other activities	808,859
Unrestricted	<u>(7,603,711)</u>
Total Net Position	<u><u>\$ 4,280,261</u></u>

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

WILSONA SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 10,797,753	\$ -	\$ 2,192,202	\$ (8,605,551)
Instruction-related activities				
Supervision of instruction	148,271	-	24,524	(123,747)
Instructional library, media, and technology	53,465	-	1,187	(52,278)
School site administration	838,368	-	27,767	(810,601)
Pupil services:				
Home-to-school transportation	665,623	-	5,903	(659,720)
Food services	1,092,593	8,358	881,666	(202,569)
All other pupil services	714,740	-	88,662	(626,078)
General administration:				
Data processing	235,255	-	4,211	(231,044)
All other general administration	1,151,594	339	70,771	(1,080,484)
Plant services	1,775,758	62	12,412	(1,763,284)
Ancillary services	6,825	-	154	(6,671)
Other outgo	648,113	-	204,277	(443,836)
Total Governmental Activities	\$ 18,128,358	\$ 8,759	\$ 3,513,736	(14,605,863)
General revenues and subventions:				
				1,420,674
Property taxes, levied for general purposes				5,825
Taxes levied for other specific purposes				12,021,875
Federal and State aid not restricted to specific purposes				68,922
Interest and investment earnings				156,170
Miscellaneous				<u>13,673,466</u>
				Subtotal, General Revenues
				(932,397)
				Change in Net Position
				5,212,658
				<u>Net Position - Beginning</u>
				<u>\$ 4,280,261</u>
				<u>Net Position - Ending</u>

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

WILSONA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 5,725,416	\$ 648,520	\$ 331,431	\$ 6,705,367
Receivables	849,828	63,047	639	913,514
Prepaid expenditures	1,176	125,176	-	126,352
Stores inventories	-	94,519	-	94,519
Total Assets	\$ 6,576,420	\$ 931,262	\$ 332,070	\$ 7,839,752
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,277,307	\$ 27,502	\$ -	\$ 2,304,809
Unearned revenue	109,736	-	-	109,736
Total Liabilities	2,387,043	27,502	-	2,414,545
Fund Balances:				
Nonspendable	16,079	94,901	-	110,980
Restricted	801,934	808,859	56,803	1,667,596
Assigned	6,630	-	275,267	281,897
Unassigned	3,364,734	-	-	3,364,734
Total Fund Balances	4,189,377	903,760	332,070	5,425,207
Total Liabilities and Fund Balances	\$ 6,576,420	\$ 931,262	\$ 332,070	\$ 7,839,752

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

WILSONA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds **\$ 5,425,207**

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is the following	\$ 21,844,702	
Accumulated depreciation is the following	(11,628,326)	
Net Capital Assets		10,216,376

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	1,138,994	
Net change in proportionate share of net pension liability	1,753,143	
Difference between projected and actual earnings on pension plan investments	1,358,074	
Differences between expected and actual experience in the measurement of the total pension liability	176,017	
Total Deferred Outflows of Resources Related to Pensions		4,426,228

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(132,977)	
Differences between expected and actual experience in the measurement of the total pension liability	(221,862)	
Changes in assumptions	(122,955)	
Total Deferred Inflows of Resources Related to Pensions		(477,794)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (13,187,518)

Long-term obligations at year-end consist of the following:

Compensated absences	47,873	
Other postemployment benefits	2,074,365	
Total Long-Term Obligations		(2,122,238)
Total Net Position - Governmental Activities		\$ 4,280,261

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

WILSONA SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 12,919,285	\$ -	\$ -	\$ 12,919,285
Federal sources	1,067,632	864,228	-	1,931,860
Other State sources	1,267,341	59,457	-	1,326,798
Other local sources	897,133	72,944	15,091	985,168
Total Revenues	16,151,391	996,629	15,091	17,163,111
EXPENDITURES				
Current				
Instruction	10,165,161	-	-	10,165,161
Instruction-related activities:				
Supervision of instruction	143,684	-	-	143,684
Instructional library, media, and technology	52,508	-	-	52,508
School site administration	796,795	-	-	796,795
Pupil services:				
Home-to-school transportation	773,291	-	-	773,291
Food services	-	1,076,736	-	1,076,736
All other pupil services	685,133	-	-	685,133
General administration:				
Data processing	231,999	-	-	231,999
All other general administration	1,099,840	41,036	-	1,140,876
Plant services	1,514,820	7,558	236,463	1,758,841
Facility acquisition and construction	481,753	-	696,276	1,178,029
Ancillary services	6,825	-	-	6,825
Other outgo	648,113	-	-	648,113
Total Expenditures	16,599,922	1,125,330	932,739	18,657,991
Deficiency of Revenues Over Expenditures	(448,531)	(128,701)	(917,648)	(1,494,880)
Other Financing Sources (Uses)				
Transfers in	-	-	626,963	626,963
Transfers out	(626,963)	-	-	(626,963)
Net Financing Sources (Uses)	(626,963)	-	626,963	-
NET CHANGE IN FUND BALANCES	(1,075,494)	(128,701)	(290,685)	(1,494,880)
Fund Balances - Beginning	5,264,871	1,032,461	622,755	6,920,087
Fund Balances - Ending	\$ 4,189,377	\$ 903,760	\$ 332,070	\$ 5,425,207

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

WILSONA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ (1,494,880)**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlay	\$ 1,490,275	
Depreciation expense	(532,688)	
Net Expense Adjustment		957,587

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was more than the amounts earned by \$6,493.

6,493

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in deferred outflows, deferred inflows and net pension liability during the year.

(297,908)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual required contribution.

(103,689)

Change in Net Position of Governmental Activities

\$ (932,397)

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Wilsona School District (the District) was organized in 1915 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates one elementary school, one middle school, and a community day school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Wilsona School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$6,630.

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Non-Major Governmental Funds

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

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

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

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial Statement of Activities presents a comparison between direct expenses and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Cash

The District's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land improvements, 20 years; buildings and improvements, 20 to 50 years; equipment, 2 to 15 years.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes. The District currently does not have any assigned funds

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2017. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$1,667,596 of restricted net position, which are restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental column of the Statement of Activities.

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Property Tax

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

New Accounting Pronouncements

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

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

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

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

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

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

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$ 6,705,367</u>
-------------------------	---------------------

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 111,241
Cash in revolving	15,285
Investments	<u>6,578,841</u>
Total Deposits and Investments	<u>\$ 6,705,367</u>

Policies and Practices

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

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The Pool purchases shorter term and longer term investments and attempts to time its cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

The District maintains an investment of \$6,578,841 with the Los Angeles County Treasury Investment Pool which has an average weighted maturity of 672 days.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2017.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance of \$9,002 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Los Angeles County Treasury Investment Pool	<u>\$ 6,578,841</u>	<u>\$ 6,578,841</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 585,476	\$ 3,460	\$ -	\$ 588,936
State Government				
Categorical aid	40,163	13,630	-	53,793
Lottery	55,162	-	-	55,162
Special education	114,417	-	-	114,417
Local Government				
Interest	21,242	756	451	22,449
Other Local Sources	33,368	45,201	188	78,757
Total	<u>\$ 849,828</u>	<u>\$ 63,047</u>	<u>\$ 639</u>	<u>\$ 913,514</u>

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 151,042	\$ -	\$ -	\$ 151,042
Construction in process	454,191	-	-	454,191
Total Capital Assets Not Being Depreciated	605,233	-	-	605,233
Capital Assets Being Depreciated				
Buildings and improvements	17,534,994	1,178,029	-	18,713,023
Furniture and equipment	2,214,200	312,246	-	2,526,446
Total Capital Assets Being Depreciated	19,749,194	1,490,275	-	21,239,469
Less Accumulated Depreciation				
Buildings and improvements	9,105,581	442,839	-	9,548,420
Furniture and equipment	1,990,057	89,849	-	2,079,906
Total Accumulated Depreciation Governmental Activities	11,095,638	532,688	-	11,628,326
Capital Assets, Net	\$ 9,258,789	\$ 957,587	\$ -	\$ 10,216,376

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 463,439
Home-to-school transportation	47,942
Food services	21,307
Total Depreciation Expenses Governmental Activities	\$ 532,688

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

The General Fund transferred \$626,963 to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for future capital projects.

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Cafeteria Fund	Total Governmental Activities
Salaries and benefits	\$ 240,528	\$ 16,415	\$ 256,943
State principal apportionment	165,848	-	165,848
Books and supplies	22,218	10,460	32,678
Services	48,238	364	48,602
Due to SELPA	1,748,817	-	1,748,817
Other	51,658	263	51,921
Total	<u>\$ 2,277,307</u>	<u>\$ 27,502</u>	<u>\$ 2,304,809</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	<u>\$ 109,736</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Compensated absences	\$ 54,366	\$ -	\$ 6,493	\$ 47,873
Other postemployment benefits	1,970,676	469,032	365,343	2,074,365
Total	<u>\$ 2,025,042</u>	<u>\$ 469,032</u>	<u>\$ 371,836</u>	<u>\$ 2,122,238</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$47,873.

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$504,169, and contributions made by the District during the year were \$365,343. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$78,827 and \$(113,964), respectively, which resulted in an increase to the net OPEB obligation of \$103,689. As of June 30, 2017, the net OPEB obligation was \$2,074,365. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving Cash	\$ 14,903	\$ 382	\$ -	\$ 15,285
Stores inventories	-	94,519	-	94,519
Prepaid expenditures	1,176	-	-	1,176
Total Nonspendable	<u>16,079</u>	<u>94,901</u>	<u>-</u>	<u>110,980</u>
Restricted				
Legally restricted programs	801,934	808,859	-	1,610,793
Capital projects	-	-	56,803	56,803
Total Restricted	<u>801,934</u>	<u>808,859</u>	<u>56,803</u>	<u>1,667,596</u>
Assigned				
Deferred maintenance	351	-	-	351
Capital projects	6,279	-	275,267	281,546
Total Assigned	<u>6,630</u>	<u>-</u>	<u>275,267</u>	<u>281,897</u>
Unassigned				
Remaining unassigned	3,364,734	-	-	3,364,734
Total	<u>\$ 4,189,377</u>	<u>\$ 903,760</u>	<u>\$ 332,070</u>	<u>\$ 5,425,207</u>

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Public Agency Retirement Services (PARS) Trust administers the Wilsona School District's Postemployment Benefits Plan – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for PARS can be obtained from PARS at www.pars.org.

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Wilsona School District. The plan provides medical, vision, and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 24 retirees currently receiving benefits and 111 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CEA, CSEA, and the unrepresented groups. For fiscal year 2016-2017, the District contributed \$365,343 to the plan, all of which was used for current premiums.

The District established an irrevocable trust with Public Agency Retirement Services (PARS) to provide for the funding of future other postemployment benefits. As of June 30, 2017, the trust held assets totaling \$111,241.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 504,169
Interest on net OPEB obligation	78,827
Adjustment to annual required contribution	(113,964)
Annual OPEB cost (expense)	<u>469,032</u>
Contributions made	<u>(365,343)</u>
Increase in net OPEB obligation	103,689
Net OPEB obligation, beginning of year	1,970,676
Net OPEB obligation, end of year	<u><u>\$ 2,074,365</u></u>

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 572,712	\$ 304,338	53%	\$ 1,679,600
2016	474,222	185,564	39%	1,970,676
2017	469,032	365,343	78%	2,074,365

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 4,782,492	\$ 4,671,251	0%	\$ 8,573,195	54.49%

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

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the Projected Unit Credit (PUC) Cost method was used. The actuarial assumptions included a four percent discount rate based on employer assets, specifically, the long-term expected return on employee investments that are not restricted for other purposes and are expected to be used to finance benefit payments. Healthcare cost trend rates were assumed at five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 22 years.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. The District participates in Self-Insured Schools of California (SISC) public entity risk pools (JPAs) for the workers' compensation administration, property/liability insurance, and health and welfare programs. The relationships between the District and the public entity risk pools are such that they are not component units of the District for financial reporting purposes. Audited financial statements are generally available from the respective entities. Refer to Note 17 for additional information regarding the JPAs.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 9,095,013	\$ 2,856,705	\$ 354,839	\$ 774,609
CalPERS	4,092,505	1,569,523	122,955	662,293
Total	<u>\$ 13,187,518</u>	<u>\$ 4,426,228</u>	<u>\$ 477,794</u>	<u>\$ 1,436,902</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$756,494.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, 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:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 9,095,013
State's proportionate share of the net pension liability associated with the District	5,177,629
Total	<u>\$ 14,272,642</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0112 percent and 0.009 percent, resulting in a net increase in the proportionate share of 0.0022 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$774,609. In addition, the District recognized pension expense and revenue of \$500,472 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 756,494	\$ -
Net change in proportionate share of net pension liability	1,377,162	132,977
Difference between projected and actual earnings on pension plan investments	723,049	-
Difference between expected and actual experiences in the measurement of the total pension liability	-	221,862
Total	<u>\$ 2,856,705</u>	<u>\$ 354,839</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 15,774
2019	15,775
2020	420,311
2021	271,189
Total	<u>\$ 723,049</u>

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 162,441
2019	162,441
2020	162,441
2021	162,441
2022	162,438
Thereafter	210,121
Total	<u>\$ 1,022,323</u>

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the 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 is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 13,089,775
Current discount rate (7.60%)	9,095,013
1% increase (8.60%)	5,777,196

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$382,500.

WILSONA SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,092,505. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0207 percent and 0.0177 percent, resulting in a net increase in the proportionate share of 0.0030 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$662,293. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 382,500	\$ -
Net change in proportionate share of net pension liability	375,981	-
Difference between projected and actual earnings on pension plan investments	635,025	-
Difference between expected and actual experiences in the measurement of the total pension liability	176,017	-
Changes of assumptions	-	122,955
Total	<u>\$ 1,569,523</u>	<u>\$ 122,955</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 89,071
2019	89,071
2020	291,147
2021	165,736
Total	<u>\$ 635,025</u>

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 151,873
2019	150,733
2020	126,437
Total	<u>\$ 429,043</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 6,106,040
Current discount rate (7.65%)	4,092,505
1% increase (8.65%)	2,415,840

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$467,622 (8.9257 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Thermostat Installations	<u>\$ 55,298</u>	<u>12/31/17</u>

WILSONA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC) I, SISC II, and SISC III public entity risk pools. The District pays annual premiums to SISC I, SISC II, and SISC III for workers' compensation, property liability, and health and welfare coverage, respectively. For insured programs, there have been no significant reductions in insurance coverage.

During the year ended June 30, 2017 the District made payments of \$173,011, \$85,479, and \$1,837,594 to SISC I, SISC II, and SISC III, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

WILSONA SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 12,893,500	\$ 12,869,605	\$ 12,919,285	\$ 49,680
Federal sources	998,361	938,085	1,067,632	129,547
Other State sources	815,961	842,577	1,267,341	424,764
Other local sources	762,231	743,694	897,133	153,439
Total Revenues ¹	15,470,053	15,393,961	16,151,391	757,430
EXPENDITURES				
Current				
Certificated salaries	6,585,417	6,629,698	6,470,022	159,676
Classified salaries	2,176,648	2,315,774	2,316,646	(872)
Employee benefits	3,059,229	3,405,145	3,909,602	(504,457)
Books and supplies	1,133,156	704,294	630,446	73,848
Services and operating expenditures	2,119,687	2,476,376	1,886,736	589,640
Capital outlay	159,170	765,395	779,393	(13,998)
Other outgo	490,000	537,728	607,077	(69,349)
Total Expenditures ¹	15,723,307	16,834,410	16,599,922	234,488
Deficiency of Revenues Over Expenditures	(253,254)	(1,440,449)	(448,531)	991,918
Other Financing Uses				
Transfers out	(120,000)	(120,000)	(626,963)	(506,963)
NET CHANGE IN FUND BALANCE	(373,254)	(1,560,449)	(1,075,494)	484,955
Fund Balance - Beginning	5,264,871	5,264,871	5,264,871	-
Fund Balance - Ending	\$ 4,891,617	\$ 3,704,422	\$ 4,189,377	\$ 484,955

¹ On behalf payments of \$467,622 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

WILSONA SCHOOL DISTRICT

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Federal sources	\$ 750,000	\$ 836,763	\$ 864,228	\$ 27,465
Other State sources	64,000	64,000	59,457	(4,543)
Other local sources	58,152	76,000	72,944	(3,056)
Total Revenues	872,152	976,763	996,629	19,866
EXPENDITURES				
Current				
Classified salaries	355,626	310,711	320,507	(9,796)
Employee benefits	91,712	120,628	115,349	5,279
Books and supplies	434,886	806,007	541,999	264,008
Services and operating expenditures	59,737	138,800	91,833	46,967
Capital outlay	5,768	215,000	14,606	200,394
Other outgo	35,000	56,147	41,036	15,111
Total Expenditures	982,729	1,647,293	1,125,330	521,963
NET CHANGE IN FUND BALANCE	(110,577)	(670,530)	(128,701)	541,829
Fund Balance - Beginning	1,032,461	1,032,461	1,032,461	-
Fund Balance - Ending	\$ 921,884	\$ 361,931	\$ 903,760	\$ 541,829

See accompanying note to required supplementary information.

WILSONA SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	\$ -	\$ 4,671,932	\$ 4,671,932	0%	\$ 7,634,472	61.20%
July 1, 2012	-	5,525,714	5,525,714	0%	7,194,108	76.81%
July 1, 2015	-	4,782,492	4,671,251	0%	8,573,195	54.49%

See accompanying note to required supplementary information.

WILSONA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability (asset)	<u>0.0112%</u>	<u>0.0090%</u>	<u>0.0090%</u>
District's proportionate share of the net pension liability	\$ 9,095,013	\$ 6,075,000	\$ 5,411,000
State's proportionate share of the net pension liability (asset) associated with the District	<u>5,177,629</u>	<u>3,205,879</u>	<u>3,267,254</u>
Total	<u>\$ 14,272,642</u>	<u>\$ 9,280,879</u>	<u>\$ 8,678,254</u>
District's covered - employee payroll	<u>\$ 4,645,194</u>	<u>\$ 4,406,088</u>	<u>\$ 5,239,079</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>196%</u>	<u>137.88%</u>	<u>103.28%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability (asset)	<u>0.0207%</u>	<u>0.0177%</u>	<u>0.0173%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,092,505</u>	<u>\$ 2,607,000</u>	<u>\$ 1,916,000</u>
District's covered - employee payroll	<u>\$ 1,840,449</u>	<u>\$ 1,732,490</u>	<u>\$ 1,955,029</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>222.36%</u>	<u>150.48%</u>	<u>98.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

WILSONA SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 756,494	\$ 408,184	\$ 340,234
Contributions in relation to the contractually required contribution	<u>756,494</u>	<u>408,184</u>	<u>340,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 6,013,466</u>	<u>\$ 4,645,194</u>	<u>\$ 4,406,088</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>9.00%</u>	<u>8.00%</u>
CalPERS			
Contractually required contribution	\$ 382,500	\$ 236,635	\$ 207,521
Contributions in relation to the contractually required contribution	<u>382,500</u>	<u>236,635</u>	<u>207,521</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 2,754,176</u>	<u>\$ 1,840,449</u>	<u>\$ 1,732,490</u>
Contributions as a percentage of covered - employee payroll	<u>13.89%</u>	<u>13.00%</u>	<u>12.00%</u>

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

See accompanying note to required supplementary information.

WILSONA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

WILSONA SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 624,443
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	7,370
Title III - Limited English Proficiency (LEP) Student Program	84.365	14346	23,652
Rural Education Achievement Program	84.358	14536	19,158
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	2,500
Passed through Antelope Valley Special Education Local Plan Area:			
Special Education Cluster:			
Local Assistance Entitlement, Part B, Sec 611	84.027A	13379	230,149
Preschool Grants, Part B, Sec 619	84.173	13430	11,558
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	35,794
Preschool Staff Development, Part B, Sec 619	84.173A	13431	79
Subtotal Special Education Cluster			<u>277,580</u>
Total U.S. Department of Education			<u>954,703</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through Los Angeles County Office of Education:			
Medi-Cal Administrative Program:			
Medi-Cal Administrative Activities	93.778	10060	50,692
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	26,624
Subtotal Medi-Cal Administrative Program			<u>77,316</u>
Total U.S. Department of Health and Human Services			<u>77,316</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	623,919
Especially Needy Breakfast Program	10.553	13526	149,212
Meal Supplements	10.555	13392	27,194
Commodities	10.555	13396	63,903
Subtotal Child Nutrition Cluster			<u>864,228</u>
Total U.S. Department of Agriculture			<u>864,228</u>
Total Expenditures of Federal Awards			<u>\$ 1,896,247</u>

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

The Wilsona School District was established in 1915. The District has not made any changes during the year in the school district's boundaries. The District operates one elementary school, one middle school, and a community day school.

The members of the Board of Trustees of the Wilsona School District holding office during the audit period and their respective expiration dates of terms of office were as follows:

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Diana Callari	President	November 30, 2020
Robert Harris	Vice President	November 30, 2018
Anne Misicka	Clerk	November 30, 2020
Victoria Green	Member	November 30, 2018
Vladimir Gomez	Member	November 30, 2018

ADMINISTRATION

Teresa Grey	Superintendent
Liz Seymour	Chief Business Official

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	546.22	542.96
Fourth through sixth	431.34	428.73
Seventh and eighth	251.94	252.25
Total Regular ADA	<u>1,229.50</u>	<u>1,223.94</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.96	0.97
Fourth through sixth	1.62	1.62
Seventh and eighth	0.24	0.18
Total Special Education, Nonpublic, Nonsectarian Schools	<u>2.82</u>	<u>2.77</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.24	0.16
Fourth through sixth	0.14	0.23
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.38</u>	<u>0.39</u>
Community Day School		
Fourth through sixth	2.28	2.92
Seventh and eighth	7.12	7.48
Ninth through twelfth	-	
Total Community Day School	<u>9.40</u>	<u>10.40</u>
Total ADA	<u>1,242.10</u>	<u>1,237.50</u>

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,275	180	N/A	Complied
Grades 1 - 3					
Grade 1	50,400	55,275	180	N/A	Complied
Grade 2	50,400	55,275	180	N/A	Complied
Grade 3	50,400	55,275	180	N/A	Complied
Grades 4 - 6					
Grade 4	54,000	55,275	180	N/A	Complied
Grade 5	54,000	56,175	180	N/A	Complied
Grade 6	54,000	56,175	180	N/A	Complied
Grades 7 - 8					
Grade 7	54,000	56,175	180	N/A	Complied
Grade 8	54,000	56,175	180	N/A	Complied

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 15,366,560	\$ 16,151,313	\$ 15,731,498	\$ 13,182,049
Expenditures	16,347,187	16,599,922	15,394,481	11,902,067
Other uses and transfers out	120,000	626,963	120,000	65,000
Total Expenditures and Other Uses	16,467,187	17,226,885	15,514,481	11,967,067
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (1,100,627)</u>	<u>\$ (1,075,572)</u>	<u>\$ 217,017</u>	<u>\$ 1,214,982</u>
ENDING FUND BALANCE	<u>\$ 3,082,120</u>	<u>\$ 4,182,747</u>	<u>\$ 5,258,319</u>	<u>\$ 5,041,302</u>
AVAILABLE RESERVES²	<u>\$ 2,002,922</u>	<u>\$ 3,364,734</u>	<u>\$ 3,572,320</u>	<u>\$ 3,968,411</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>12.16%</u>	<u>19.53%</u>	<u>23.03%</u>	<u>33.16%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 2,122,238</u>	<u>\$ 2,025,042</u>	<u>\$ 1,709,883</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2³	<u>1,186</u>	<u>1,241</u>	<u>1,254</u>	<u>1,266</u>

The General Fund balance has decreased by \$858,555 over the past two years. The fiscal year 2017-2018 budget projects a further decrease of \$1,100,627 (26.31 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$412,355 over the past two years.

Average daily attendance has decreased by 25 over the past two years. An additional decline of 55 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

WILSONA SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 36,356	\$ 20,171	\$ 274,904	\$ 331,431
Receivables	173	103	363	639
Total Assets	\$ 36,529	\$ 20,274	\$ 275,267	\$ 332,070
FUND BALANCES				
Restricted	\$ 36,529	\$ 20,274	-	\$ 56,803
Assigned	-	-	275,267	275,267
Total Fund Balances	\$ 36,529	\$ 20,274	\$ 275,267	\$ 332,070

WILSONA SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES				
Other local sources	\$ 11,328	\$ 238	\$ 3,525	\$ 15,091
EXPENDITURES				
Current				
Plant services	-	-	236,463	236,463
Facility acquisition and construction	-	-	696,276	696,276
Total Expenditures	-	-	932,739	932,739
Excess (Deficiency) of Revenues Over Expenditures	11,328	238	(929,214)	(917,648)
Other Financing Sources (Uses)				
Transfers in	-	-	626,963	626,963
NET CHANGE IN FUND BALANCES	11,328	238	(302,251)	(290,685)
Fund Balances - Beginning	25,201	20,036	577,518	622,755
Fund Balances - Ending	\$ 36,529	\$ 20,274	\$ 275,267	\$ 332,070

WILSONA SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Options funds that have been recorded in the current period as revenues but were unspent. These unspent balances are reported as restricted ending fund balance in the current year.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 1,931,860
Medi-Cal Billing Option	93.778	(35,613)
Total Schedule of Expenditures of Federal Awards		<u>\$ 1,896,247</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

WILSONA SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Wilsona School District
Palmdale, 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 Wilsona School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wilsona School District's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Wilsona School District in a separate letter dated December 4, 2017.

Purpose of This Report

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

Vavink, Jain, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2017



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

Governing Board
Wilsona School District
Palmdale, California

Report on Compliance for Each Major Federal Program

We have audited Wilsona School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wilsona School District's major Federal programs for the year ended June 30, 2017. Wilsona 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Wilsona 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, 2017.

Report on Internal Control Over Compliance

Management of Wilsona 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 Wilsona School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wilsona 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavink, Inc, Day & Co, LLP

Rancho Cucamonga, California
December 4, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Wilsona School District
Palmdale, California

Report on State Compliance

We have audited Wilsona School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Wilsona School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Wilsona School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Wilsona School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Wilsona School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Wilsona School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below

Procedures
Performed

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer an Independent Study Program or a Continuation Education Attendance Program; therefore, we did not perform procedures related to the Independent Study Program or Continuation Education Attendance Program.

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

The District does not have any Juvenile Court Schools; 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 incur any California Clean Energy Jobs Act expenditures in the current year; therefore, we did not perform any procedures related to California Clean Energy Jobs Act expenditures.

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

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any procedures related to the Independent Study – Course Based Programs.

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

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

Vavincik, Irwin, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WILSONA SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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WILSONA SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

WILSONA SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

WILSONA SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

WILSONA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2016-001 40000

Criteria or Specific Requirements

In accordance to *California Education Code* section 8484(01) - to demonstrate program effectiveness, grantees shall submit both of the following: (A) school day attendance on an annual basis and (B) program attendance. The reported number of students served for each selected school is supported by written records that document pupil participation by tracing the reported numbers through documentation used to summarize the numbers of students served.

Condition

The District's school sites are taking daily attendance for students enrolled in the program. However, after review of the attendance documents, the entire 3rd quarter attendance was excluded from the 2nd Half: After School Base, which the District submitted to the California Department of Education.

Questioned Costs

We note the District did not have any questioned costs since ADA related to ASES was understated by 25.88 on the 2nd half base report submitted to the CDE.

Effect

The potential for the loss of funds received by the District due to the reported student enrollment for funding under the After School Education and Safety Program being understated, resulting in the District receiving less funding than the actual amount earned under the program.

Cause

An error at the District when reporting 2nd Half attendance. The 3rd quarter attendance was incorrectly excluded, and only the 4th quarter attendance was reported.

Recommendation

School site personnel need to reconcile the attendance and enrollment documented on the daily log sheets to the amounts reported by the District's attendance records used for program funding to assure that the information being reported is accurate and agrees to the supporting documents and records.

Current Status

Implemented



Governing Board
Wilsona School District
Palmdale, California

In planning and performing our audit of the basic financial statements of Wilsona School District (the District) for the year ending June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2017, on the basic financial statements of Wilsona School District.

INTERNAL CONTROLS

Local Revenues

Observation

Through review of local cash collection procedures, it was noted that District office and school site collections are not deposited and/or transferred to the District's clearing account in a timely manner. In addition, such collections are also not transmitted to the County Treasury in a timely manner. Lastly, it was noted that bank reconciliations are not being performed for the District's clearing account in a timely manner.

Recommendation

To ensure that all collections are recorded and recognized in the correct period, it is recommended that District and site collections be transferred to the District's clearing account on a weekly basis. Additionally, bank reconciliations should be performed each month and transmittals to the County Treasury should occur at least monthly.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2017