

**WARNER UNIFIED SCHOOL DISTRICT  
COUNTY OF SAN DIEGO  
WARNER SPRINGS, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2015**

**Wilkinson Hadley King & Co. LLP  
CPA's and Advisors  
218 W. Douglas Ave.  
El Cajon, California**

## Introductory Section

Warner Unified School District  
 Audit Report  
 For The Year Ended June 30, 2015

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## Financial Section



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### **Independent Auditor's Report**

To the Board of Trustees  
Warner Unified School District  
Warner Springs, 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 Warner Unified School District ("the District") as of and for the year ended June 30, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of 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**

Due to the lack of internal controls and accounting records relating to accounts payable, we were unable to satisfy ourselves as to the completeness and accuracy of accounts payable funds included in these financial statements. The effect on the financial statements cannot reasonably be determined. Accordingly, we do not express an opinion on those transactions.

In our opinion, except for the effect on the financial statements of the matters discussed in the previous paragraph, 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 Warner Unified School District as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, Warner Unified School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warner Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 February 15, 2016 on our consideration of Warner Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warner Unified School District's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
February 15, 2016



**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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This discussion and analysis of the Warner Unified School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should review this document in conjunction with the district's financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014-2015 are as follows:

- Total net position decreased by 102% to (\$60,437). This dramatic change over the prior year is due to a new GASB requirement which changes the way school districts account for liabilities.
- Total ending fund balance for total governmental funds is \$965,204.
- For the first time in several years, the District did not deficit spend.
- The District ended the year with a slight surplus due to an increase in revenues from state and local resources.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual audit report consists of three parts: Management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements, which present both a view of the district as a whole, and individual fund statements that focus on various parts of the district's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**USING THESE FINANCIAL STATEMENTS**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Warner Unified School District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY**

*Statement of Net Assets and Statement of Activities*

While this document contains several funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014-2015?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the district's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the district as a whole, the financial position of the district has improved or diminished.

**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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In the Statement of Net Assets and the Statement of Activities, the district is presented in just one kind of activity, Governmental Activities. All the district's programs and services are reported here including instructional, support services, and operation and maintenance of plant and facilities.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT INDIVIDUAL FUNDS**

*Fund Financial Statements*

Major Funds: The analysis of the district's major funds is included in the audit report. Fund financial reports provide detailed information about the district's major funds. The district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the most significant funds. The major governmental funds, which account for most of the day-to-day programs and services provided by the district, are the General Fund and the Child Development Fund.

Governmental Funds: Most of the district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted into 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 you determine the financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the district as a whole. Table I provides a summary of the district's net position for 2014-2015. The Net Position decreased by 102%, a total of \$3,225,066 over the year.

**Table 1**  
**Statement of Net Position**

<b>ASSETS</b>	<b><u>2013-2014</u></b>	<b><u>2014-2015</u></b>	<b><u>% Change</u></b>
Cash	\$680,616	\$732,018	8%
Receivables	434,235	411,531	-5%
Stores	15,582	17,439	12%
Capital assets:			
Land	50,870	50,870	0%
Land Improvements	164,800	176,285	7%
Buildings	4,253,860	4,253,860	0%
Equipment	1,038,518	1,051,199	1%
Less Accumulated Depreciation	(2,905,405)	(3,031,535)	4%
Total Assets	3,733,076	3,661,667	-2%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>356,574</b>	<b>100%</b>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	236,079	199,311	-16%
Long-Term Liabilities:			
Due Within One Year	74,210	63,190	-15%
Due in More Than One Year	258,158	3,067,186	1088%
Total Liabilities	568,447	3,329,687	486%
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>0</b>	<b>748,991</b>	<b>100%</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,364,217	2,310,971	-2%
Restricted for:			
Capital Projects	7,891	104,544	1225%
Educational Programs	115,056	19,591	-82%
Other Purposes (Expendable)	22,990	26,272	14%
Other Purposes (Nonexpendable)	20,882	22,739	9%
Unrestricted	633,593	(2,544,954)	-502%
<b>Total Net Position</b>	<b>3,164,629</b>	<b>(60,437)</b>	<b>-102%</b>

**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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**REVENUE – GOVERNMENTAL ACTIVITIES**

Revenue in the Governmental Funds is divided into general revenue, which funds the basic ongoing instructional program and related support services, and program revenue, which funds specific program activities that support the children enrolled in Warner Unified's schools. The primary sources of general revenue are the state LCFF revenue and local property tax revenue. The primary sources of program revenue are the state of California and the federal government, which fund many programs operated by the district, and fees collected for meals and preschool. During the 2014-15 fiscal year, total revenues increased from the previous year by 14%.

**Table 2**  
**Revenue – Governmental Activities**

<b>General Revenues</b>	<b><u>2013-2014</u></b>	<b><u>2014-2015</u></b>	<b><u>% Change</u></b>
LCFF Revenue	\$2,158,241	\$2,436,402	13%
Federal Revenue	647,421	719,331	11%
Other State Revenue	311,685	288,234	-8%
Other Local Revenue	403,134	578,147	43%
<b>Total Revenue</b>	<b>3,520,481</b>	<b>4,022,114</b>	<b>14%</b>

**EXPENDITURES – GOVERNMENTAL ACTIVITIES**

The District's total expenses for the 2014-15 were 7% higher than the previous year.

**Table 3**  
**Expenditures – Governmental Activities**

<b>Expenses</b>	<b><u>2013-2014</u></b>	<b><u>2014-2015</u></b>	<b><u>% Change</u></b>
Classroom Instruction	\$2,100,371	\$2,447,677	17%
Instructional Related Services	139,126	95,892	-31%
Pupil Services	553,376	489,697	-12%
Ancillary Services	15,789	11,406	-28%
General Administration	483,385	534,833	-11%
Plant Services	329,009	305,143	-7%
Other Outgo	38,074	11,650	-69%
Debt Services:			
Principal	46,484	48,718	5%
Interest	12,988	10,754	-17%
<b>Total Expenditures</b>	<b>\$3,718,602</b>	<b>\$3,955,770</b>	<b>7%</b>

**WARNER UNIFIED SCHOOL DISTRICT  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2015**

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**THE GENERAL FUND OPERATING BUDGET**

Information about the district's major fund, the General Fund, is shown later in this report. This fund is accounted for using the modified accrual basis of accounting. The district's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of the 2014-2015 fiscal year, the district revised its general fund budget on occasion to better reflect updates in grants allocations and awards, as well as changes in projected expenditures, and to portray the most current state and federal budget projections, as that information became available. Interim reports are used for budget revisions and are presented to the Governing Board for review and approval at regularly scheduled Board meetings.

**CAPITAL ASSETS**

At the end of the 2014-15 fiscal year, the district had \$5,532,214 invested in land, buildings, work-in-progress, and capital equipment. Depreciation totaling \$3,031,535 was charged against the value of those assets for net capital assets of \$2,500,679.

**CURRENT FINANCIAL RELATED ACTIVITIES**

The Warner Unified School District operated without deficit spending during the 2014-15 fiscal year. This was primarily due to the last minute one time funding built into the Governor's June 30<sup>th</sup> budget. The district has avoided deficit spending only one other time in the past six fiscal years. The overall trend of deficit spending continues into the current multi-year projection and as of the publication of this report, the District remains in qualified status. As a result of the State's new funding formula, the district has realized an increase in revenue. However, the District's enrollment and ADA has historically fluctuated greatly from year to year causing uncertainty about revenues in the current and future budget years. The District has out spent its increase in LCFF GAP funding revenue due to costs that were greater than originally anticipated. The Board and District Management are aware of the current budget conditions and continue to identify cost cutting measures as well as to seek out new revenues. The District has also undergone significant changes in the administrative team, the current superintendent was hired in March 2013 and there have been multiple changes in the Chief Business Official position since April 2014.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Unlike many recent years, California began the 2014-15 fiscal year with a budget in place. On November 6, 2012 voters approved Proposition 30, *The Schools and Local Public Safety Protection Act of 2012*. Proposition 30 allowed new revenues to be generated and distributed to districts through a state account, Education Protection Account (EPA). Proposition 30 will raise \$6 billion in revenues for most years. Parts of Proposition 30 begin to phase out in 2016. Below are additional highlights from Governor Brown's 2014-15 June 30<sup>th</sup> Budget.

**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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**Governor's Budget Adoption: K-12 Education Summary:**

Local Control Funding Formula—An increase of \$6 billion Proposition 98 General Fund to continue the State's landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 51 percent.

- Career Technical Education—The Budget establishes the Career Technical Education (CTE) Incentive Grant Program and provides \$400 million, \$300 million, and \$200 million Proposition 98 General Fund in 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs. Of the funding provided for this competitive grant program, 4 percent (\$16 million in 2015-16) is available for applicants serving no more than 140 students, 8 percent (\$32 million in 2015-16) is available for those serving between 140 and 550 students, and 88 percent (\$352 million in 2015-16) is available for those serving more than 550 students. School districts, county offices of education, and charter schools receiving funding from the program will be required to provide local-to-state matching funds of 1:1 in 2015-16, 1.5:1 in 2016-17, and 2:1 in 2017-18. When determining grant recipients, the Department of Education and the State Board of Education will give priority to grant recipients that: (1) are establishing new programs; (2) serve a large number of English-learner, low-income, or foster youth students; (3) serve pupil groups with higher-than-average dropout rates; or (4) are located in areas of high unemployment.

- Educator Support—An increase of \$500 million one-time Proposition 98 General Fund for educator support. Of this amount, \$490 million is for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development that is aligned to the state academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the state special schools in an equal amount per certificated staff and are available for expenditure over the next three years. Additionally, \$10 million is provided for the K-12 High Speed Network to provide professional development and technical assistance to local educational agencies related to network management.

- Special Education—The California Statewide Special Education Task Force was formed in 2013 to examine the state of special education in California, analyze and consider best practices within the state and nation, and ultimately propose recommendations for improving the system. The Budget includes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) to implement selected program changes recommended by the task force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

- K-12 High Speed Internet Access—An increase of \$50 million in one-time Proposition 98 funding to support additional investments in internet connectivity and infrastructure. This builds on \$26.7 million in one-time Proposition 98 funding that was provided in the 2014 Budget Act to assist local educational agencies with securing required internet connectivity and infrastructure to implement the new computer-adaptive tests administered under Common Core. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.

**WARNER UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**  
**K-12 Budget Agreement (continued)**

- K-12 Mandates—An increase of \$3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 Deferrals—The Budget provides \$897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014 Budget. Inter-year K-12 deferrals had reached a high of \$9.5 billion in the 2011-12 fiscal year.  
([www.ebudget.ca.gov/2015-16/BudgetSummary/BSS/BSS.html](http://www.ebudget.ca.gov/2015-16/BudgetSummary/BSS/BSS.html))

**Federal Funding**

The President's budget request for fiscal year 2015 includes \$69 billion in discretionary appropriations and represents an increase of 2 percent over the previous year and slightly more than the 2012 discretionary level for education before the sequester. Three-quarters of that funding goes to financial aid for students in college, special education, and high-poverty schools (Title I). The remaining 23 percent of the budget targets specific areas and reforms designed to leverage major changes in educational opportunity and excellence for all students, including the expansion of access to high-quality preschool, data-driven instruction based on college- and career-ready standards, making college more affordable, and mitigating the effects of poverty on educational outcomes. Much of this leverage is achieved through competitive awards to states and school districts committed to educational innovation and transformation. But the lion's share of the 2015 request—nearly 90 percent of discretionary spending—goes to formula funds that address the needs of disadvantaged poor and minority students, students with disabilities, and English learners.

**Other Factors**

**Enrollment and ADA**

The 2014-15 school year saw an increase in student enrollment up to 228 students, as well as an increase in the resulting Average Daily Attendance. Future enrollment and attendance can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the Warner Unified School District budget for the 2014-15 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Services Department, Warner Unified School District.

## Basic Financial Statements



**WARNER UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 732,018
Receivables	411,531
Stores	17,439
Capital Assets:	
Land	50,870
Land Improvements	176,285
Buildings	4,253,860
Equipment	1,051,199
Less Accumulated Depreciation	(3,031,535)
Total Assets	<u>3,661,667</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>356,574</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	199,311
Long-Term Liabilities:	
Due Within One Year	63,190
Due in More Than One Year	3,067,186
Total Liabilities	<u>3,329,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>748,991</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,310,971
Restricted for:	
Capital Projects	104,544
Educational Programs	19,591
Other Purposes (Expendable)	26,672
Other Purposes (Nonexpendable)	22,739
Unrestricted	(2,544,954)
Total Net Position	<u>\$ (60,437)</u>

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 2,556,047	\$ 99,590	\$ 825,207	\$ (1,631,250)
Instruction-Related Services:				
Instructional Library, Media, and Technology	26,418	-	-	(26,418)
School Site Administration	70,977	-	-	(70,977)
Pupil Services				
Home-to-School Transportation	312,553	18,880	18,128	(275,545)
Food Services	152,802	10,304	141,360	(1,138)
All Other Pupil Services	37,832	-	-	(37,832)
General Administration				
Centralized Data Processing	3,664	-	-	(3,664)
All Other General Administration	533,416	8,420	9,115	(515,881)
Plant Services	328,734	2,910	55,202	(270,622)
Ancillary Services	11,552	-	-	(11,552)
Community Services	3,860	-	-	(3,860)
Transfers between agencies	11,650	-	-	(11,650)
Interest on Long-Term Debt	9,772	-	-	(9,772)
<b>Total Expenses</b>	<b>\$ 4,059,277</b>	<b>\$ 140,104</b>	<b>\$ 1,049,012</b>	<b>\$ (2,870,161)</b>

**General Revenues:**

Taxes and Subventions:

Taxes Levied for General Purposes	989,240
Federal and State Aid Not Restricted to Specific Programs	1,761,510
Interest and Investment Earnings	3,224
Miscellaneous	79,021
<b>Total General Revenues</b>	<b>\$ 2,832,995</b>

Change in Net Position (37,166)

Net Position Beginning, As Restated (See Note N)	(23,271)
Net Position Ending	<b>\$ (60,437)</b>

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 659,675	\$ 32,422	\$ 34,573	\$ 726,670
Cash on Hand and in Banks	-	50	-	50
Cash in Revolving Fund	5,300	-	-	5,300
Accounts Receivable	387,076	20,514	3,941	411,531
Due from Other Funds	53,106	216	16	53,338
Stores Inventories	6,502	10,937	-	17,439
Total Assets	<u>1,111,659</u>	<u>64,139</u>	<u>38,530</u>	<u>1,214,328</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 194,716	\$ 718	\$ 351	\$ 195,785
Due to Other Funds	233	26,040	27,066	53,339
Total Liabilities	<u>194,949</u>	<u>26,758</u>	<u>27,417</u>	<u>249,124</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	5,300	-	-	5,300
Stores Inventories	6,502	10,937	-	17,439
Restricted Fund Balances	113,250	26,444	228	139,922
Assigned Fund Balances	146,705	-	10,885	157,590
Unassigned:				
Reserve for Economic Uncertainty	183,089	-	-	183,089
Other Unassigned	461,864	-	-	461,864
Total Fund Balance	<u>916,710</u>	<u>37,381</u>	<u>11,113</u>	<u>965,204</u>
Total Liabilities and Fund Balances	<u>\$ 1,111,659</u>	<u>\$ 64,139</u>	<u>\$ 38,530</u>	<u>\$ 1,214,328</u>

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Total fund balances - governmental funds balance sheet \$ 965,204

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	5,532,214	
Accumulated depreciation	(3,031,535)	
Net		2,500,679

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (3,527)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	356,574
Deferred inflows of resources relating to pensions	(748,991)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:

Compensated Absences Payable	12,130	
Net Pension Liability	2,807,483	
Net OPEB Obligation	121,055	
Capital Leases Payable	189,708	
Total		(3,130,376)

Net position of governmental activities - statement of net position \$ (60,437)

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,259,606	\$ -	\$ -	\$ 1,259,606
Education Protection Account Funds	420,522	-	-	420,522
Local Sources	756,274	-	-	756,274
Federal Revenue	596,691	122,640	-	719,331
Other State Revenue	197,700	18,720	71,814	288,234
Other Local Revenue	551,570	10,420	16,157	578,147
Total Revenues	<u>3,782,363</u>	<u>151,780</u>	<u>87,971</u>	<u>4,022,114</u>
Expenditures:				
Instruction	2,356,132	-	91,545	2,447,677
Instruction - Related Services	95,892	-	-	95,892
Pupil Services	341,371	148,326	-	489,697
Ancillary Services	11,406	-	-	11,406
General Administration	534,833	-	-	534,833
Plant Services	305,143	-	-	305,143
Other Outgo	11,650	-	-	11,650
Debt Service:				
Principal	48,718	-	-	48,718
Interest	10,754	-	-	10,754
Total Expenditures	<u>3,715,899</u>	<u>148,326</u>	<u>91,545</u>	<u>3,955,770</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,464</u>	<u>3,454</u>	<u>(3,574)</u>	<u>66,344</u>
Other Financing Sources (Uses):				
Transfers In	-	-	14,665	14,665
Transfers Out	(14,665)	-	-	(14,665)
Total Other Financing Sources (Uses)	<u>(14,665)</u>	<u>-</u>	<u>14,665</u>	<u>-</u>
Net Change in Fund Balance	51,799	3,454	11,091	66,344
Fund Balance, July 1	864,911	33,927	22	898,860
Fund Balance, June 30	<u>\$ 916,710</u>	<u>\$ 37,381</u>	<u>\$ 11,113</u>	<u>\$ 965,204</u>

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ 66,344

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	24,166	
Expenditures for capital outlay		
Depreciation expense	(126,130)	
Net		(101,964)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

48,718

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statements, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

979

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(12,000)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(52,605)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

13,362

Change in net position of governmental activities - statement of activities \$ (37,166)

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 57,240
Total Assets	<u>57,240</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 57,240
Total Liabilities	<u>57,240</u>
<b>NET POSITION:</b>	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**A. Summary of Significant Accounting Policies**

Warner Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**1. Reporting Entity**

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.



**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090–38093).

In addition, the District reports the following fund types:

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

Capital Projects Funds. Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or 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 60 days. However, to achieve comparability of reporting among California districts and so as to not 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 are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

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

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

i. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 10% of general fund operating expenses and other financing uses. If the fund balance drops below 10%, it shall be recovered at a rate of 1% minimally, each year.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) are combined with the General Fund for purposes of presentation in the audit report.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance- related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund net position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	N/A	N/A

**C. Excess of Expenditures Over Appropriations**

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 46,659
Classified Salaries	11,827
Employee Benefits	30,749
Other Outgo	11,650
Capital Outlay	24,166
Debt Service Interest	10,754
Cafeteria Fund:	
Services and Other Operating Expenditures	1,321

General Fund: The District underestimated inflationary salary changes and the related benefits. In addition, the district did not budget for other outgo, capital outlay, or debt service interest.

Cafeteria Fund: The District did not budget for services and other operating expenditures.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**D. Cash and Investments**

**1. Cash in County Treasury:**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$726,668 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$726,668. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

**2. Cash on Hand, in Banks, and in Revolving Fund**

Cash balances on hand and in banks (\$57,290 as of June 30, 2015) and in the revolving fund (\$5,300) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**3. General Authorizations**

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

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



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4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014 the District's bank balances (including revolving cash) were fully insured or collateralized.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

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e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Cafeteria Fund		
Federal Government:				
Federal Programs	\$ 205,263	18,905	\$ -	\$ 224,168
State Government:				
Clean Energy Grant	52,408	-	-	52,408
Lottery	4,814	-	-	4,814
Special Education	29,090	-	-	29,090
Other State Programs	90,531	1,567	3,890	95,988
Local Sources:				
Interest	650	42	50	742
Other local sources	4,321	-	-	4,321
Total	<u>\$ 387,077</u>	<u>\$ 20,514</u>	<u>\$ 3,940</u>	<u>\$ 411,531</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

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**F. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,870	\$ -	\$ -	\$ 50,870
Total capital assets not being depreciated	50,870	-	-	50,870
Capital assets being depreciated:				
Buildings	4,253,860	-	-	4,253,860
Improvements	164,800	11,485	-	176,285
Equipment	1,038,518	12,681	-	1,051,199
Total capital assets being depreciated	5,457,178	24,166	-	5,481,344
Less accumulated depreciation for:				
Buildings	(1,879,094)	(93,087)	-	(1,972,181)
Improvements	(119,800)	(5,000)	-	(124,800)
Equipment	(906,511)	(28,043)	-	(934,554)
Total accumulated depreciation	(2,905,405)	(126,130)	-	(3,031,535)
Total capital assets being depreciated, net	2,551,773	(101,964)	-	2,449,809
Governmental activities capital assets, net	\$ 2,602,643	\$ (101,964)	\$ -	\$ 2,500,679

Depreciation was charged to functions as follows:

Instruction	\$ 92,390
Pupil Services	4,040
Community Services	3,860
General Administration	3,219
Plant Services	22,621
	\$ 126,130

**G. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 21,731	Reimbursement of Expenses
General Fund	Cafeteria Fund	26,040	Reimbursement of Expenses
General Fund	Capital Facilities Fund	5,334	Reimbursement of Expenses
Child Development Fund	General Fund	16	Reimbursement of Expenses
Cafeteria Fund	General Fund	216	Reimbursement of Expenses
	Total	\$ 53,337	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at June 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Child Development Fund	\$ 14,665	Contribution from General Fund
	Total	\$ 14,665	

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H. Accounts Payable

As of June 30, 2015 the district is not able to identify what items make up the accounts payable balance.

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Components of Ending Fund Balance

As of June 30, 2015 ending fund balance in governmental funds consisted of the following:

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Cafeteria Fund		
<b>Nonspendable Fund Balances</b>				
Revolving Cash	\$ 5,300	\$ -	\$ -	\$ 5,300
Stores Inventory	6,502	10,937	-	17,439
Total Nonspendable	<u>11,802</u>	<u>10,937</u>	<u>-</u>	<u>22,739</u>
<b>Restricted Fund Balances</b>				
Educational Programs	19,591	-	-	19,591
Capital Projects	93,659	-	-	93,659
Child Development Program	-	-	228	228
Child Nutrition Program	-	26,444	-	26,444
Total Restricted	<u>113,250</u>	<u>26,444</u>	<u>228</u>	<u>139,922</u>
<b>Assigned Fund Balances</b>				
Educational Programs	146,705	-	-	146,705
Capital Projects	-	-	10,885	10,885
Total Assigned	<u>146,705</u>	<u>-</u>	<u>10,885</u>	<u>157,590</u>
<b>Unassigned Fund Balances</b>				
For Economic Uncertainty	183,089	-	-	183,089
Other Unassigned	461,864	-	-	461,864
Total Unassigned	<u>644,953</u>	<u>-</u>	<u>-</u>	<u>644,953</u>
<b>Total Fund Balance</b>	<u>\$ 916,710</u>	<u>\$ 37,381</u>	<u>\$ 11,113</u>	<u>\$ 965,204</u>

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**K. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Capital Leases	\$ 238,426	\$ -	\$ 48,718	\$ 189,708	\$ 51,060
Net Pension Liability	3,514,534	-	707,051	2,807,483	-
Net OPEB Obligation	68,450	73,958	21,353	121,055	-
Compensated Absences *	25,492	-	13,362	12,130	12,130
<b>Total governmental activities</b>	<b>\$ 3,846,902</b>	<b>\$ 73,958</b>	<b>\$ 790,484</b>	<b>\$ 3,130,376</b>	<b>\$ 63,190</b>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**2. Debt Service Requirements**

Debt service requirements on long-term debt, OPEB Obligation & Pension Liability, at June 30, 2015, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 63,190	\$ 8,412	\$ 71,602
2017	53,514	5,958	59,472
2018	56,086	3,386	59,472
2019	29,046	690	29,736
<b>Totals</b>	<b>\$ 201,836</b>	<b>\$ 18,446</b>	<b>\$ 220,282</b>

**3. Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2015, as follows:

<u>Year Ending June 30:</u>	
2016	\$ 59,472
2017	59,472
2018	59,472
2019	29,736
<b>Total Minimum Rentals</b>	<b>\$ 208,152</b>
<b>Less Amounts Representing Interest</b>	<b>(18,444)</b>
<b>Net Total Minimum Rentals</b>	<b>\$ 189,708</b>

**WARNER UNIFIED SCHOOL DISTRICT**  
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L. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRMS). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2015 can be obtained by contacting the JPA directly.

M. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted to accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The combination of changes due to accounting policies resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 3,164,629
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(3,514,534)
Change in Accounting Policy - Deferred Outflows Pension Related	<u>326,634</u>
Net Position, Beginning (As Restated)	\$ <u>(23,271)</u>

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Description

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

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b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (Average)	8.000%	8.000%
Required employer contribution rates	8.250%	8.250%

\*Amounts are limited to 120% of Social Security Wage Base.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	6.974.%	6.974.%
Required employer contribution rates	11.442%	11.442%

\*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

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d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. 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.

f. Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 86,955	\$ 62,560
Contributions - Employee (paid by employer)	85,912	38,700
Contributions - State On Behalf Payments	52,507	-
Total Contributions	<u>\$ 225,374</u>	<u>\$ 101,260</u>

Pension expense was recognized as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (494,116)	\$ (212,935)
Net difference between projected and actual earnings on plan investments	546,148	202,843
Total Contributions	225,374	101,260
Total Pension Expense	<u>\$ 277,406</u>	<u>\$ 91,168</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 2,217,158
CalPERS	590,327
Total Net Pension Liability	<u>\$ 2,807,485</u>



**WARNER UNIFIED SCHOOL DISTRICT**  
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The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

For the year ended June 30, 2015, the District recognized pension expense of \$368,574. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 356,574	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(748,991)
Total	<u>\$ 356,574</u>	<u>\$ (748,991)</u>

\$356,574 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (187,248)
2017	(187,248)
2018	(187,248)
2019	(187,247)
Total	<u>\$ (748,991)</u>

**WARNER UNIFIED SCHOOL DISTRICT**  
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a. Actual Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

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In determining the long-term expected rate of return, CalSTRS and 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 10 years) and 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 quarter of one percent.

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

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 3,890,663	\$ 1,035,568
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 2,217,877	\$ 590,327
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 820,096	\$ 159,318

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

d. Pension Plan Fiduciary Net Position

CalSTRS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 9,024,763	\$ 6,313,490	\$ 2,711,273
Changes for the year:			
Service cost	202,595	-	202,595
Interest	676,404	-	676,404
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	86,955	(86,955)
Contributions - Employee	-	85,912	(85,912)
Contributions - State On Behalf	-	52,507	(52,507)
Net investment income	-	1,153,853	(1,153,853)
Other income	-	77	(77)
Benefit payments, including refunds of employee contributions	(456,768)	(456,774)	6
Administrative expenses	-	(5,851)	5,851
Other expenses	-	(333)	333
Net Changes	<u>422,231</u>	<u>916,346</u>	<u>(494,115)</u>
Balance at June 30, 2015	<u>\$ 9,446,994</u>	<u>\$ 7,229,836</u>	<u>\$ 2,217,158</u>

CalPERS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 3,381,879	\$ 2,578,618	\$ 803,261
Changes for the year:			
Service cost	81,953	-	81,953
Interest	250,595	-	250,595
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	62,560	(62,560)
Contributions - Employee	-	38,700	(38,700)
Net investment income	-	444,222	(444,222)
Benefit payments, including refunds of employee contributions	(163,201)	(163,201)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>169,347</u>	<u>382,281</u>	<u>(212,934)</u>
Balance at June 30, 2015	<u>\$ 3,551,226</u>	<u>\$ 2,960,899</u>	<u>\$ 590,327</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

O. Postemployment Benefits Other Than Pension Benefits

The district provides retiree health benefits up to age 65 for 3 retirees as well as 34 active employees. Eligible employees are certificated or administrative employees who have attained age 56 but not yet attained age 65, and have completed 20 or more years of district eligible service. Eligible employees will receive 100% of combined costs of medical/prescription drug, dental, and vision insurance until age 65.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefits (OPEB) costs (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (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 fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 75,306
Interest on OPEB obligation	3,080
Adjustment to ARC	<u>(4,429)</u>
Annual OPEB Cost	73,957
Contributions made	<u>(21,353)</u>
Increase in net OPEB obligation	52,604
Net OPEB obligations - beginning of year	68,450
Net OPEB obligations - end of year	<u>\$ 121,054</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013 is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 71,924	52.36%	\$ 44,975
2014	73,475	68.05%	68,450
2015	73,957	28.87%	121,054

Funded status and funding progress: As of June 30, 2015, the district has not funded the OPEB liability.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts 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 multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

P. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Q. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**WARNER UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 856,193	\$ 857,021	\$ 1,259,606	\$ 402,585
Education Protection Account Funds	420,522	420,522	420,522	-
Local Sources	1,071,338	1,071,338	756,274	(315,064)
Federal Revenue	462,274	563,131	596,691	33,560
Other State Revenue	105,256	195,251	197,700	2,449
Other Local Revenue	424,181	535,462	550,979	15,517
Total Revenues	<u>3,339,764</u>	<u>3,642,725</u>	<u>3,781,772</u>	<u>139,047</u>
Expenditures:				
Current:				
Certificated Salaries	1,270,947	1,201,049	1,247,708	(46,659)
Classified Salaries	590,676	619,654	631,481	(11,827)
Employee Benefits	554,879	551,092	581,841	(30,749)
Books And Supplies	351,628	331,262	258,540	72,722
Services And Other Operating Expenditures	646,712	995,978	901,041	94,937
Other Outgo	-	-	11,650	(11,650)
Capital Outlay	-	-	24,166	(24,166)
Debt Service:				
Principal	46,500	59,472	48,718	10,754
Interest	15,000	-	10,754	(10,754)
Total Expenditures	<u>3,476,342</u>	<u>3,758,507</u>	<u>3,715,899</u>	<u>42,608</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(136,578)</u>	<u>(115,782)</u>	<u>65,873</u>	<u>181,655</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(25,000)</u>	<u>(52,000)</u>	<u>(14,665)</u>	<u>37,335</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(52,000)</u>	<u>(14,665)</u>	<u>37,335</u>
Net Change in Fund Balance	<u>(161,578)</u>	<u>(167,782)</u>	<u>51,208</u>	<u>218,990</u>
Fund Balance, July 1	718,797	718,797	718,797	-
Fund Balance, June 30	<u>\$ 557,219</u>	<u>\$ 551,015</u>	<u>\$ 770,005</u>	<u>\$ 218,990</u>

The accompanying notes are an integral part of this statement.



**WARNER UNIFIED SCHOOL DISTRICT**  
**CAFETERIA FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 80,000	\$ 105,000	\$ 122,640	\$ 17,640
Other State Revenue	9,500	12,500	18,720	6,220
Other Local Revenue	23,450	7,550	10,420	2,870
Total Revenues	<u>112,950</u>	<u>125,050</u>	<u>151,780</u>	<u>26,730</u>
Expenditures:				
Current:				
Classified Salaries	70,874	73,128	66,735	6,393
Employee Benefits	35,472	35,472	29,641	5,831
Books And Supplies	45,300	54,300	50,629	3,671
Services And Other Operating Expenditures	-	-	1,321	(1,321)
Total Expenditures	<u>151,646</u>	<u>162,900</u>	<u>148,326</u>	<u>14,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(38,696)</u>	<u>(37,850)</u>	<u>3,454</u>	<u>41,304</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(38,696)</u>	<u>(37,850)</u>	<u>3,454</u>	<u>41,304</u>
Fund Balance, July 1	33,927	33,927	33,927	-
Fund Balance, June 30	<u>\$ (4,769)</u>	<u>\$ (3,923)</u>	<u>\$ 37,381</u>	<u>\$ 41,304</u>

**WARNER UNIFIED SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 WARNER UNIFIED SCHOOL DISTRICT RETIREE HEALTH PROGRAM  
 YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2009	\$ -	\$ 489,083	\$ 489,083	-	\$ 1,786,046	27.4%
07/01/2012	-	582,123	582,123	-	1,873,723	31.1%

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0038%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 2,217,158	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,043,184	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.54%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.53%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 172,867	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(172,867)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 1,043,184	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.57%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth (Average)	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information.

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

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0052%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 590,327	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 550,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 101,260	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(101,260)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 550,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.39%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

**WARNER UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Budgetary Comparison Schedule - General Fund**

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 916,710
Less Fund 17 Fund Balance	(146,705)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 770,005</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 51,799
Change in Fund Balance attributed to Fund 17	(591)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 51,208</u>

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



**WARNER UNIFIED SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue Fund Child Development Fund	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 18,368	\$ 16,205	\$ 34,573
Accounts Receivable	3,927	14	3,941
Due from Other Funds	16	-	16
Total Assets	<u>22,311</u>	<u>16,219</u>	<u>38,530</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 351	\$ -	\$ 351
Due to Other Funds	21,732	5,334	27,066
Total Liabilities	<u>22,083</u>	<u>5,334</u>	<u>27,417</u>
Fund Balance:			
Restricted Fund Balances	228	-	228
Assigned Fund Balances	-	10,885	10,885
Total Fund Balance	<u>228</u>	<u>10,885</u>	<u>11,113</u>
Total Liabilities and Fund Balances	<u>\$ 22,311</u>	<u>\$ 16,219</u>	<u>\$ 38,530</u>

**WARNER UNIFIED SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Fund Child Development Fund	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Other State Revenue	\$ 71,814	\$ -	\$ 71,814
Other Local Revenue	13,163	2,994	16,157
Total Revenues	<u>84,977</u>	<u>2,994</u>	<u>87,971</u>
Expenditures:			
Instruction	91,545	-	91,545
Total Expenditures	<u>91,545</u>	<u>-</u>	<u>91,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,568)</u>	<u>2,994</u>	<u>(3,574)</u>
Other Financing Sources (Uses):			
Transfers In	14,665	-	14,665
Total Other Financing Sources (Uses)	<u>14,665</u>	<u>-</u>	<u>14,665</u>
Net Change in Fund Balance	8,097	2,994	11,091
Fund Balance, July 1	(7,869)	7,891	22
Fund Balance, June 30	<u>\$ 228</u>	<u>\$ 10,885</u>	<u>\$ 11,113</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

## Supplementary Information Section

**WARNER UNIFIED SCHOOL DISTRICT**  
 LOCAL EDUCATION AGENCY  
 ORGANIZATION STRUCTURE  
 JUNE 30, 2015

The Warner Unified School District was established in 1995. The District boundaries include approximately 432 square miles in Northeast San Diego County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school, one middle school, and one high school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Angela Acosta	President	Four year term Expires December 2016
Katie Ostrander	Vice President	Four year term Expires December 2018
Maria Hill	Clerk	Four year term Expires December 2018
Ed Norte	Member	Four year term Expires December 2016
Brandie Taylor	Member	Four year term Expires December 2018

Administration

Melissa Brown  
 Superintendent

Andrea Sissons  
 Business Manager

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	59.98	N/A	58.75	N/A
TK/K-3 Totals	59.98	N/A	58.75	N/A
Grades 4-6:				
Regular ADA	54.19	N/A	53.34	N/A
Nonpublic, Nonsectarian Schools	0.90	N/A	0.87	N/A
Grades 4-6 Totals	55.09	N/A	54.21	N/A
Grades 7 and 8:				
Regular ADA	34.20	N/A	33.61	N/A
Nonpublic, Nonsectarian Schools	0.84	N/A	0.81	N/A
Grades 7 and 8 Totals	35.04	N/A	34.42	N/A
Grades 9-12:				
Regular ADA	58.67	N/A	57.08	N/A
Nonpublic, Nonsectarian Schools	1.00	N/A	1.00	N/A
Grades 9-12 Totals	59.67	N/A	58.08	N/A
ADA Totals	209.78	N/A	205.46	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	54,785	175	-	Complied
Grade 1	50,400	49,000	54,785	175	-	Complied
Grade 2	50,400	49,000	54,785	175	-	Complied
Grade 3	50,400	49,000	54,785	175	-	Complied
Grade 4	54,000	52,500	54,785	175	-	Complied
Grade 5	54,000	52,500	54,785	175	-	Complied
Grade 6	54,000	52,500	54,785	175	-	Complied
Grade 7	54,000	52,500	63,335	175	-	Complied
Grade 8	54,000	52,500	63,335	175	-	Complied
Grade 9	64,800	63,000	63,335	175	-	Complied
Grade 10	64,800	63,000	63,335	175	-	Complied
Grade 11	64,800	63,000	63,335	175	-	Complied
Grade 12	64,800	63,000	63,335	175	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-3**

General Fund	Budget 2016 (see note 1)	2015	2014	2013
Revenues and other financial sources	\$ 3,664,743	\$ 3,727,660	\$ 3,274,005	\$ 2,878,855
Expenditures, other uses and transfers out	3,683,675	3,676,453	3,437,221	3,089,613
Change in fund balance (deficit)	(18,932)	51,207	(163,216)	(210,758)
Ending fund balance	\$ 751,073	\$ 770,005	\$ 718,798	\$ 882,014
Available reserves (see note 2)	\$ 588,253	\$ 644,953	\$ 593,796	\$ 834,945
Available reserves as a percentage of total outgo (see note 3)	16.0%	17.5%	17.6%	27.5%
Total long-term debt	\$ 3,067,186	\$ 3,143,738	\$ 332,368	\$ 342,014
Average daily attendance at P-2	201	209	204	184

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.

The fund balance of the general fund has decreased by \$112,009 (12.70%) over the past two years. The fiscal year 2015-16 budget projects a decrease of \$18,932 (2.46%). For a district of this size, the State recommends available reserves of at least four percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$2,801,724 over the past two years (see note 5).

Average daily attendance has increased by 25 over the past two years.

**Notes:**

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$54,111, \$57,181, and \$49,315, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 4 For financial reporting purposes in the fund financial statements, the Special Reserve Fund for Other Than Capital Outlay (Fund 17) has been combined as part of the General Fund to be in compliance with GASB Statement No. 54. This report is a reflection of activity in the General Fund only.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.



**WARNER UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-4**

	General Fund	Cafeteria Fund	Special Reserve Fund - Other (Fund 17)
June 30, 2015, annual financial and budget report fund balances	\$ 770,005	\$ 26,444	\$ 146,705
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB Statement No. 54 Inclusion of Fund for Reporting	146,705	-	(146,705)
Inclusion of STRS on behalf payments in Other State Revenue	54,111	-	-
Inclusion of STRS on behalf payments in Instructional Expenses	(54,111)	-	-
Inclusion of commodities received in Other Federal Revenue	-	9,939	-
Inclusion of commodities received in Pupil Services Expenses	-	(9,939)	-
Net adjustments and reclassifications	146,705	-	(146,705)
June 30, 2015, audited financial statement fund balances	\$ 916,710	\$ 26,444	\$ -

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

**WARNER UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2015

**TABLE D-5**

The following charter schools are chartered by Warner Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
All Tribes Charter School	No
All Tribes Elementary Charter School	No
Warner I Charter School	No

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	\$ 187,355
Passed Through State Department of Education:			
Title I	84.010	14329	28,459
Special Education: IDEA Basic	84.027	13379	55,066
Special Education: IDEA Preschool Local Entitlement	84.027	13682	1,908
Special Education: IDEA Mental Health	84.027A	14468	4,353
Special Education: IDEA Preschool Grants	84.173	14340	907
Total Special Education Cluster			<u>62,234</u>
Carl D. Perkins Career and Technical Education	84.048	14894	49,582
Indian Education	84.060	10011	14,650
21st Century Learning: ASSETS	84.287	14535	115,000
Title VI Rural & Low Income Schools	84.358	14356	18,946
Title III	84.365	10084	3,949
Title II Teacher Quality	84.367	14341	6,677
Total Passed Through State Department of Education			<u>299,497</u>
Total U. S. Department of Education			<u>486,852</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed Through State Department of Education:			
Now is the Time (NITT) Advancing Wellness & Resilience	93.243	15293	22,325
Medi-Cal MAA	93.778	10060	18,138
Total Passed Through State Department of Education			<u>40,463</u>
Total U. S. Department of Health and Human Services			<u>40,463</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
School Breakfast Program - Needy	10.553	13526	36,668
After School Meal Supplement	10.555	13755	6,434
National School Lunch Section 11	10.555	13396	76,647
National School Lunch Section 4	10.555	13391	10,564
Commodities *	10.555	13396	9,939
Total Child Nutrition Cluster			<u>140,252</u>
Forest Reserve Funds	10.655	10044	69,378
Total Passed Through State Department of Education			<u>209,630</u>
Total U. S. Department of Agriculture			<u>209,630</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>736,945</u></b>

\* Indicates noncash expenditure

The accompanying notes are an integral part of this schedule.

**WARNER UNIFIED SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Warner Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

## Other Independent Auditor's Reports



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. King, CPA  
Kevin A. Sproul, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Warner Unified School District  
Warner Springs, California

Members of the Board of Trustees:

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 Warner Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Warner Unified School District's basic financial statements, and have issued our report thereon dated February 15, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 thru 2015-003 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Warner Unified 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-002 and 2015-003.

## **Warner Unified School District's Response to Findings**

Warner Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Warner Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
February 15, 2016



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. King, CPA  
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees  
Warner Unified School District  
Warner Springs, California

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited the Warner Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Warner Unified School District's major federal programs for the year ended June 30, 2015. Warner Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Warner Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Warner Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Basis for Qualified Opinion on Impact Aid**

As described in item 2015-002 in the accompanying schedule of findings and questioned costs, the Warner Unified School District did not comply with requirements regarding Reporting that are applicable to Impact Aid. Compliance with such requirements is necessary, in our opinion, for Warner Unified School District to comply with the requirements applicable to that program.



### ***Qualified Opinion on Impact Aid***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Warner Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Impact Aid for the year ended June 30, 2015.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the Warner Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Warner Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Warner Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Warner Unified School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

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

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
February 15, 2016



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. King, CPA  
Kevin A. Sproul, CPA

### **Independent Auditor's Report on State Compliance**

Board of Trustees  
Warner Unified School District  
Warner Springs, California

Members of the Board of Trustees:

### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

### **Management's Responsibility for State Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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 State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:</b>	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:</b>	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	N/A
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
<b>CHARTER SCHOOLS:</b>	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Ratio of Independent Study. The procedure was not required to be performed since the ADA reported is below the level which requires testing.

## **Opinion on State Compliance**

In our opinion, Warner Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. We did not modify our opinion with respect to this matter.

## **Warner Unified School District's Response to Findings**

Warner Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Warner Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co. LLP*

El Cajon, California  
February 15, 2016

## Findings and Recommendations Section

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Noncompliance material to financial statements noted?  X  Yes      No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  X  Yes      No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
10.665	Forest Reserve Funds
84.041	Impact Aid

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?      Yes  X  No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?  X  Yes      No

Type of auditor's report issued on compliance for state programs: Unmodified

**WARNER UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**B. Financial Statement Findings**

Finding 2015-001 (30000)  
Closing Entries & Accruals

Criteria or Specific Requirement

Verify that the District has procedures in place to ensure accurate reporting of financial accounts.

Condition

The District was unable to provide a detail of accounts payable accruals that agrees with the amounts recorded in the financial statements.

Questioned Costs

None

Context

The District hired a new business manager after year end, prior to the close of the books. Given the timeline of hiring a new business manager the county office of education assisted with the close of the books. It is uncertain if the data supporting closing entries was not tracked or if the data was lost. The business manager responsible for closing of the books is no longer employed by the District.

Effect

We could not audit accounts payable as it cannot be determined what was recorded. As a result we qualified our opinion with respect to accounts payable.

Cause

The business manager responsible for closing the books did not have the skills, knowledge, or experience necessary to know what data was necessary to retain for audit purposes. He wiped all files off of the computer in the business office essentially deleting data that may have assisted in supporting amounts recorded in the financial statements.

Recommendation

Implement hiring practices that require business office personnel have adequate skills, knowledge, and experience to maintain documentation necessary for audit purposes. Implement closing procedures and review processes to ensure data is accurately reported. Establish a document retention policy that includes both paper files as well as electronic files.

LEA's Response

The San Diego County Office of Education initiated the implementation a new financial system in the 2013-14fiscal year. As one of the preliminary districts asked to transition to and test out the new system, Warner Unified experienced many issues early on, not the least of which was cash balancing within the new PeopleSoft system and in comparison to the cash records provided by the County Treasury. In closing out the 2013-14 fiscal year, SDCOE created accruals which were thought to be largely cleared during the 2014-15 fiscal year. Unfortunately, accruals had carried over or were created again in an effort to balance cash. The District was unaware of the accruals that remained after year end closing of 2014-15, especially with the transition of CBOs during the year end closing process. It does appear that the accruals created by SDCOE were cleared in November 2015 and will not reappear with the current year closing. Moving forward the District will make every effort to verify all accruals posted before closing, and will request backup for any accruals initiated by SDCOE.

**WARNER UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**C. Federal Award Findings and Questioned Costs**

Finding 2015-002 (50000)  
Impact Aid Reporting

Federal Program Information  
84.041 - Impact Aid (2014-15 Award)

Federal Grantor Agency  
U.S. Department of Education

Pass Through Agency  
California Department of Education

Criteria or Specific Requirement  
Verify the membership and average attendance data provided in the application for Impact Aid - Section 8003 (OMB No. 1810-0687).

Condition  
The District received an audit of Impact Aid documentation by the US Department of Education who determined the students reported are ineligible for Impact Aid funding because The source check documents submitted were not in compliance as there was no certification from BIA/Tribal Official of the land status being held in "Trust" or "Restricted" and no certification from tax assessor of the land being "Tax Exempt".

Questioned Costs  
\$187,355

Effect  
The documentation obtained by the District was not in compliance with Impact Aid regulations under OMB No. 1810-0687. As a result the District is not eligible for funding in the 2016 fiscal year as determined by the US Department of Education.

Cause  
The District did not understand the documentation requirements to be eligible for Impact Aid Funding.

Recommendation  
Obtain documentation in compliance with federal requirements and submit for a redetermination of funding for the 2016 fiscal year. Provide training to staff responsible for obtaining Impact Aid documentation to ensure complete understanding of the requirements. Establish procedures to ensure all documentation is in compliance with current laws and uses current forms.

LEA's Response  
The District has utilized the same source check form for many years to direct certify students who live on or whose parents are employed on Federal/Native Reservation lands. During an audit conducted by the Federal Impact Aid department during Spring of 2015, the district was made aware of a new form with additional information to collect and a determination was handed down that required the District to resubmit the new forms in order to receive any funding for the 2015 fiscal year. As the District was transitioning from one CBO to another during the Summer of 2015 and again in January 2016, this resubmission was not completed. The District is now in contact with the Impact Aide department and is making every effort to submit the proper documentation for both the 2014-15 and 2015-16 fiscal years in order to capture the funding we are due.



**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**D. State Award Findings and Questioned Costs**

Finding 2015-003 (40000)  
 Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify that students reported as free or reduced priced meal eligible on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicated the student was eligible for the designation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits.

Condition

In our review of students reported as English Learners on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" we identified one student out of six tested at Warner Middle/High School that were did not have documentation of eligibility for FRPM on file.

Questioned Costs

\$5,347 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts after extrapolation of errors.

Audit Adjustments to the counts are as follows:

	<u>Funded Under LCFF</u>	<u>Audit Adjustments</u>	<u>Adjusted Counts</u>
Total Enrollment	229	0	229
Free & Reduced Meal Program (FRPM)	122	(10)	112
English Learners (ELAS)	0	0	0
Both FRPM & ELAS	26	0	26
Other Funded (Direct Certifications, etc.)	49	0	49
Total	<u>197</u>	<u>(10)</u>	<u>187</u>

Context

Supplemental and concentration grant amounts (as part of the LCFF Funding) are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- 1) Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- 2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Effect

Supplemental and Concentration grants were over funded based on the additional students included in the unduplicated pupil counts.

Cause

The District did not have a filing system for FRPM applications. The applications that were found for testing purposes were found in various places in the business office (drawers, boxes, etc.). As a result it was difficult to verify information as reported in CalPADS to supporting documentation.

Recommendation

Establish filing systems for FRPM applications to ensure that when the documentation is needed for audit purposes it can be located. Implement a review process to ensure data reported in CalPADS is based on information obtained between July 1 and October 31 of the respective school year.

LEA's Response

The District has experienced very high turnover in the role of CBO over the past 2 years. In addition, the longtime bookkeeper resigned during the early part of the 2015-16 fiscal year and was her position was not filled until January 2016. In addition, to these two significant changes in the organization, a decision was made to switch the offices of the CBO and the Bookkeeper. As a result, the filing system was shifted around. Files were misplaced and the Free and Reduced Meal Applications were found in at least 3 different locations in the files. The District believes that the Free and Reduced Meal application for the student in question was properly received and entered into the CNIPS and CalPads systems during the 2014-15 school year. Unfortunately, it appears the application was misfiled or in some other way misplaced during the recent transition. Beginning with the 2015-16 fiscal year, the District has conducted an internal audit of all documentation for the Free and Reduced Meal Applications and accompanying certifications to ensure this is not an issue moving forward.

**WARNER UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2014-001  Allowable Costs, Cost Principles  Federal Time Accounting</p> <p>The District was unable to provide documentation of time and effort for employees charged to the Child Nutrition Cluster consistent with the provisions of OMB Circular A-87.</p> <p>Establish procedures for documenting time charged to federal programs that is consistent with the requirements of OMB Circular A-87. Provide training to individuals charged with preparing documentation as to the requirements of federal time accounting and district procedures. Ensure that reporting takes place based upon actual activities rather than budgeted activities.</p>	Implemented	
<p>Finding 2014-002  Attendance Reporting</p> <p>In review of teacher roster verifications, 13 out of 20 were not signed and dated within one week of attendance records being entered on-line.</p> <p>Provide training to attendance clerks to ensure understanding of the documentation requirements. Implement procedures to ensure attendance is verified timely by the teachers. The District may also consider submitting for approval of an electronic signature process to CDE.</p>	Implemented	