

WISEBURN SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



**WISEBURN SCHOOL DISTRICT
OF LOS ANGELES COUNTY
HAWTHORNE, CALIFORNIA**

JUNE 30, 2012

Wiseburn School District was established in 1896 and is comprised of an area approximately 6½ square miles located in Los Angeles County, California. The boundaries are in the city limits of Hawthorne, El Segundo, and a portion of the unincorporated area of Los Angeles County. No boundary changes were made during the current year. The District is operating three elementary schools and one middle school

The Board of Education and the business office administrators for the fiscal year ended June 30, 2012 were as follows:

GOVERNING BOARD		
Member	Office	Term Expires
Mr. Nelson Martinez	President	November 2013
Mr. Roger Bañuelos	Clerk	November 2013
Mr. Dennis Curtis	Member	November 2015
Mrs. Susan Andriacchi	Member	November 2015
Mr. Israel A. Mora	Member	November 2013

DISTRICT ADMINISTRATORS

Dr. Tom Johnstone,
Superintendent

Thomas J. Cox,
Chief Business Official

David Wilson,
Accounting and Budget Director

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

Governing Board
Wiseburn School District
Hawthorne, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wiseburn School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wiseburn School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wiseburn School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012 on our consideration of Wiseburn 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on page 45, and the schedule of funding progress on page 46 be presented to supplement the basic financial statements. Such information, although not 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wiseburn School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California
December 6, 2012

WISEBURN SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

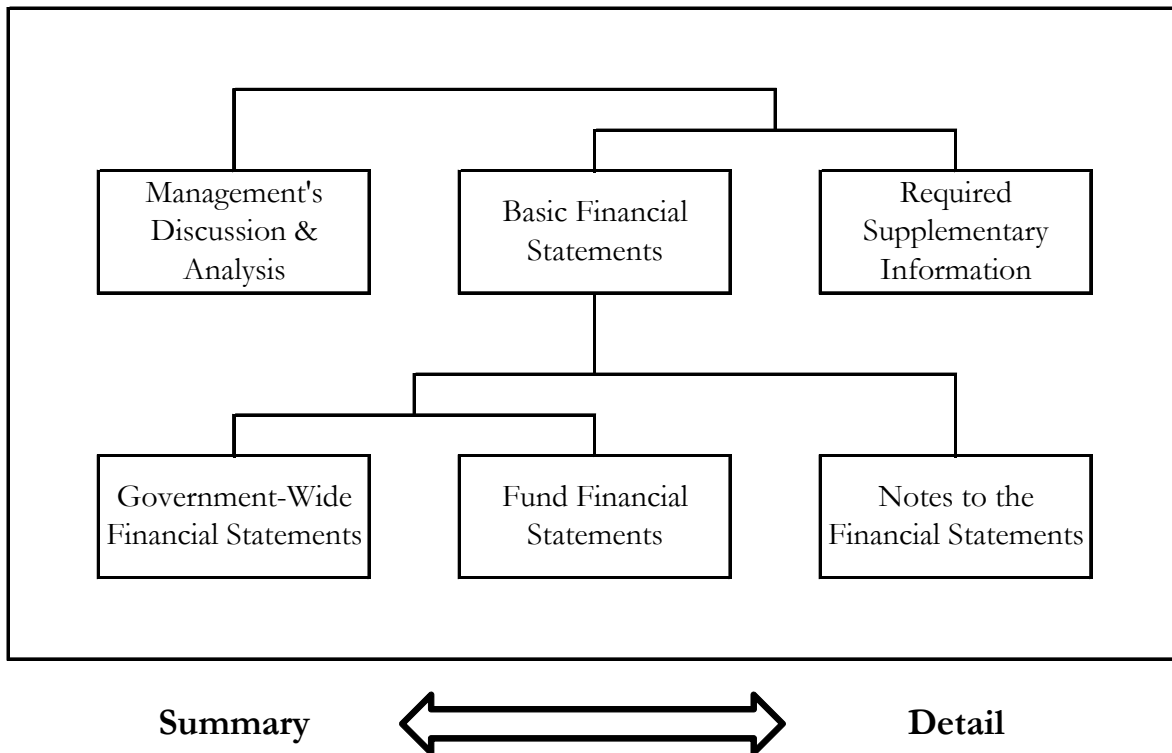
Our discussion and analysis of Wiseburn School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$19,580,966 at June 30, 2012. This was a decrease of \$2,174,695 from the prior year.
- Overall revenues were \$26,253,455 which were exceeded by expenses of \$28,428,150.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$19,580,966 at June 30, 2012. Of this amount, (\$10,066,356) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current and other assets	\$ 69,537,246	\$ 66,046,714	\$ 3,490,532
Capital assets	86,544,631	86,620,135	(75,504)
Total Assets	156,081,877	152,666,849	3,415,028
LIABILITIES			
Current liabilities	11,192,833	6,631,703	(4,561,130)
Long-term liabilities	125,308,078	124,279,485	(1,028,593)
Total Liabilities	136,500,911	130,911,188	(5,589,723)
NET ASSETS			
Invested in capital assets, net of related debt	25,511,206	24,801,733	709,473
Restricted	4,136,116	3,947,994	188,122
Unrestricted	(10,066,356)	(6,994,066)	(3,072,290)
Total Net Assets	\$ 19,580,966	\$ 21,755,661	\$ (2,174,695)

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2012	2011	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 2,700,886	\$ 2,983,984	\$ (283,098)
Capital grants and contributions	-	1,421,478	(1,421,478)
General revenues			
Property taxes	9,673,368	8,413,634	1,259,734
Unrestricted federal and state aid	10,866,962	10,139,245	727,717
Other	3,012,239	1,834,618	1,177,621
Total Revenues	26,253,455	24,792,959	1,460,496
EXPENSES			
Instruction	11,781,967	11,073,414	708,553
Instruction-related services	1,787,017	1,940,434	(153,417)
Pupil services	1,963,466	1,475,039	488,427
General administration	1,549,201	1,411,567	137,634
Plant services	1,932,051	1,794,181	137,870
Ancillary and community services	14,954	16,010	(1,056)
Debt service	6,740,492	5,179,253	1,561,239
Other Outgo	854,504	841,869	12,635
Depreciation	1,799,118	1,782,063	17,055
Other	5,380	-	5,380
Total Expenses	28,428,150	25,513,830	2,914,320
Change in net assets	(2,174,695)	(720,871)	(1,453,824)
Net Assets - Beginning	21,755,661	22,476,532	(720,871)
Net Assets - Ending	\$ 19,580,966	\$ 21,755,661	\$ (2,174,695)

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all our governmental activities this year was \$28,428,150. The amount that our taxpayers ultimately financed for these activities through taxes was \$25,727,264. The cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of \$2,700,886.

	Total cost of services	Net cost of services
Instruction	\$ 11,781,967	\$ 10,168,447
Instruction-related services	1,787,017	1,427,043
Pupil services	1,963,466	1,263,083
General administration	1,549,201	1,522,192
Plant services	1,932,051	1,932,051
Ancillary and community services	14,954	14,954
Debt service	6,740,492	6,740,492
Transfers to other agencies	854,504	854,504
Depreciation	1,799,118	1,799,118
Other	5,380	5,380
Total Expenses	\$ 28,428,150	\$ 25,727,264

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$59,642,090, which is less than last year's ending fund balance of \$60,526,824. The District's General Fund had \$209,560 more in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested \$86,544,631 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2012	2011	Net Change
CAPITAL ASSETS			
Land	\$ 5,412,084	\$ 5,412,084	\$ -
Construction in progress	1,797,630	348,026	1,449,604
Land improvements	3,168,995	3,124,404	44,591
Buildings & improvements	88,972,626	88,743,207	229,419
Furniture & equipment	1,083,011	1,083,011	-
Accumulated depreciation	(13,889,715)	(12,090,597)	(1,799,118)
Total Capital Assets	\$ 86,544,631	\$ 86,620,135	\$ (75,504)

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$127,699,969 in long-term debt, an increase of 1% from last year. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2012	2011	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$127,597,581	\$126,393,584	\$ 1,203,997
Compensated absences	102,388	100,933	1,455
Total Long-term Liabilities	\$127,699,969	\$126,494,517	\$ 1,205,452

**WISEBURN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. 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 District's budget for the 2012-13 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WISEBURN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 61,643,107
Accounts receivable	5,792,190
Inventory	7,494
Deferred charges	1,982,774
Net OPEB asset	111,681
Capital assets, not depreciated	7,209,714
Capital assets, net of accumulated depreciation	79,334,917
Total Assets	156,081,877
LIABILITIES	
Accrued liabilities	4,538,166
Current loans	4,000,000
Deferred revenue	262,776
Long-term liabilities, current portion	2,391,891
Long-term liabilities, non-current portion	125,308,078
Total Liabilities	136,500,911
NET ASSETS	
Invested in capital assets, net of related debt	25,511,206
Restricted for	
Capital projects	31,310
Debt service	4,051,990
Educational programs	52,816
Unrestricted	(10,066,356)
Total Net Assets	\$ 19,580,966

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

WISEBURN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Operating	Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 11,781,967	\$ 1,613,520		\$ (10,168,447)
Instruction-related services				
Instructional supervision and administration	230,020	92,649		(137,371)
Instructional library, media, and technology	383,580	-		(383,580)
School site administration	1,173,417	267,325		(906,092)
Pupil services				
Home-to-school transportation	101,542	46,207		(55,335)
Food services	643,840	386,851		(256,989)
All other pupil services	1,218,084	267,325		(950,759)
General administration				
Centralized data processing	13,264	-		(13,264)
All other general administration	1,535,937	27,009		(1,508,928)
Plant services	1,932,051	-		(1,932,051)
Ancillary services	14,954	-		(14,954)
Community services	5,380	-		(5,380)
Interest on long-term debt	6,740,492	-		(6,740,492)
Other Outgo	854,504	-		(854,504)
Depreciation (unallocated)	1,799,118	-		(1,799,118)
Total Governmental Activities	\$ 28,428,150	\$ 2,700,886		(25,727,264)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				4,169,739
Property taxes, levied for debt service				5,493,059
Property taxes, levied for other specific purposes				10,570
Federal and state aid not restricted for specific purposes				10,866,962
Interest and investment earnings				645,775
Miscellaneous				2,366,464
Subtotal, General Revenue				23,552,569
CHANGE IN NET ASSETS				(2,174,695)
Net Assets - Beginning				21,755,661
Net Assets - Ending				\$ 19,580,966

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

**WISEBURN SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,409,053	\$ 52,970,295	\$ 4,051,990	\$ 211,769	\$ 61,643,107
Accounts receivable	5,689,201	102,925	-	64	5,792,190
Stores inventory	7,494	-	-	-	7,494
Total Assets	\$ 10,105,748	\$ 53,073,220	\$ 4,051,990	\$ 211,833	\$ 67,442,791
LIABILITIES					
Accrued liabilities	\$ 2,414,247	\$ 1,123,662	\$ -	\$ 16	\$ 3,537,925
Current loans	4,000,000	-	-	-	4,000,000
Deferred revenue	262,776	-	-	-	262,776
Total Liabilities	6,677,023	1,123,662	-	16	7,800,701
FUND BALANCES					
Nonspendable	14,994	-	-	-	14,994
Restricted	49,388	51,949,558	4,051,990	34,738	56,085,674
Assigned	1,100,847	-	-	177,079	1,277,926
Unassigned - reserve for economic uncertainties	2,263,496	-	-	-	2,263,496
Total Fund Balances	3,428,725	51,949,558	4,051,990	211,817	59,642,090
Total Liabilities and Fund Balances	\$ 10,105,748	\$ 53,073,220	\$ 4,051,990	\$ 211,833	\$ 67,442,791

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

WISEBURN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds \$ 59,642,090

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

Capital assets:

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

Capital assets	\$ 100,434,346	
Accumulated depreciation	(13,889,715)	86,544,631

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

1,982,774

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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(1,000,241)

Long-term assets:

In government funds, postretirement benefit costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefit costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:

111,681

Long-term liabilities:

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

Total general obligation bonds	\$ 127,597,581	
Compensated absences	102,388	(127,699,969)

Total Net Assets - Governmental Activities	\$ 19,580,966
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The accompanying notes are an integral part of these financial statements.

WISEBURN SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources					
State aid	\$ 9,937,969	\$ -	\$ -	\$ -	\$ 9,937,969
Local sources	4,169,739	-	-	-	4,169,739
Transfers	(1,198,391)	-	-	-	(1,198,391)
Federal sources	1,078,009	-	-	358,990	1,436,999
Other state sources	3,246,105	-	16,565	27,861	3,290,531
Other local sources	1,858,719	634,150	5,848,430	275,309	8,616,608
Total Revenues	19,092,150	634,150	5,864,995	662,160	26,253,455
EXPENDITURES					
Current					
Instruction	11,807,358	-	-	-	11,807,358
Instruction-related services					
Instructional supervision and administration	230,020	-	-	-	230,020
Instructional library, media, and technology	383,580	-	-	-	383,580
School site administration	1,173,417	-	-	-	1,173,417
Pupil services					
Home-to-school transportation	101,542	-	-	-	101,542
Food services	36,233	-	-	607,607	643,840
All other pupil services	1,218,084	-	-	-	1,218,084
General administration					
Centralized data processing	13,264	-	-	-	13,264
All other general administration	1,535,937	-	-	-	1,535,937
Plant services	1,508,544	-	-	37,988	1,546,532
Facilities acquisition and maintenance	2,508	2,081,569	-	25,056	2,109,133
Ancillary services	14,954	-	-	-	14,954
Community services	5,380	-	-	-	5,380
Transfers to other agencies	721,854	-	-	-	721,854
Debt service					
Principal	-	-	2,155,032	-	2,155,032
Interest and other	129,915	-	3,348,347	-	3,478,262
Total Expenditures	18,882,590	2,081,569	5,503,379	670,651	27,138,189
Excess (Deficiency) of Revenues					
Over Expenditures	209,560	(1,447,419)	361,616	(8,491)	(884,734)
NET CHANGE IN FUND BALANCE	209,560	(1,447,419)	361,616	(8,491)	(884,734)
Fund Balance - Beginning	3,219,165	53,396,977	3,690,374	220,308	60,526,824
Fund Balance - Ending	\$ 3,428,725	\$ 51,949,558	\$ 4,051,990	\$ 211,817	\$ 59,642,090

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

WISEBURN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Governmental Funds	\$ (884,734)
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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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 1,723,614	
Depreciation expense:	<u>(1,799,118)</u>	(75,504)

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:

2,155,032

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs amortized for the period:	(80,100)
---------------------------------------	----------

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 statement of activities, it is recognized in the period 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:

44,249

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(3,436,394)

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

WISEBURN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2012

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 amount earned. The difference between compensated absences paid and compensated absences earned, was:

(1,455)

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:

26,846

Amortization of debt issue premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

77,365

Change in Net Assets of Governmental Activities

\$ (2,174,695)

WISEBURN SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Agency Funds	
	Warrant/Pass- through Fund	Student Body Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 49,987
Prepaid expenses	117,307	-
Total Assets	\$ 117,307	\$ 49,987
LIABILITIES		
Cash overdrafts	\$ 117,307	\$ -
Due to student groups	-	49,987
Total Liabilities	\$ 117,307	\$ 49,987

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

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Wiseburn School District (the “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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District). These statements 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. 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 non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

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*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements 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.

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

All governmental-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Fund Balance and Net Assets

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Interfund Activity

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

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Cash in county	\$ 61,455,556	\$ -
Cash on hand and in banks	180,051	49,987
Cash in revolving fund	7,500	-
Total cash and cash equivalents	\$ 61,643,107	\$ 49,987

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<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 (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$61,643,929 and an amortized book value of \$61,455,556. The average weighted maturity for this pool is 617 days.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2012, the pooled investments in the County Treasury were rated A.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 190,339	\$ -	\$ -	\$ 190,339
State Government				
Apportionment	4,033,051	-	-	4,033,051
Categorical aid	847,549	-	-	847,549
Local Government				
Other Local Sources	618,262	102,925	64	721,251
Total	\$ 5,689,201	\$ 102,925	\$ 64	\$ 5,792,190

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,412,084	\$ -	\$ -	\$ 5,412,084
Construction in progress	348,026	1,449,604	-	1,797,630
Total Capital Assets not Being Depreciated	5,760,110	1,449,604	-	7,209,714
Capital assets being depreciated				
Land improvements	3,124,404	44,591	-	3,168,995
Buildings & improvements	88,743,207	229,419	-	88,972,626
Furniture & equipment	1,083,011	-	-	1,083,011
Total Capital Assets Being Depreciated	92,950,622	274,010	-	93,224,632
Less Accumulated Depreciation				
Land improvements	750,724	128,964	-	879,688
Buildings & improvements	10,745,497	1,603,687	-	12,349,184
Furniture & equipment	594,376	66,467	-	660,843
Total Accumulated Depreciation	12,090,597	1,799,118	-	13,889,715
Governmental Activities				
Capital Assets, net	\$ 86,620,135	\$ (75,504)	\$ -	\$ 86,544,631

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 1,413,768	\$ 3,352	\$ -	\$ -	\$ 1,417,120
Construction	-	1,120,310	-	-	1,120,310
Vendors payable	1,000,479	-	16	-	1,000,495
Unmatured interest	-	-	-	1,000,241	1,000,241
Total	\$ 2,414,247	\$ 1,123,662	\$ 16	\$ 1,000,241	\$ 4,538,166

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 6 – CURRENT LOANS

On July 1, 2011, the District issued \$1,555,000 of Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. The note matures on March 30, 2012. The notes were fully repaid as of June 30, 2012.

In February 2012, the District issued \$4,000,000 of Tax Revenue Anticipation Notes sponsored by the Los Angeles County Schools Pooled Financing Programs. The notes mature on January 31, 2013 and yield 2.0% interest. The notes were sold by the District to supplement its cash flow. Repayment requirements were that certain amounts be deposited in a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they will be applied to pay the principal interest on the notes. As of June 30, 2012, there was \$4,000,000 outstanding in Tax Revenue Anticipation Notes.

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	General Fund
State categorical sources	\$ 111,784
Local deferrals	150,992
Total	\$ 262,776

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 124,325,113	\$ 3,436,394	\$ 2,155,032	\$ 125,606,475	\$ 2,391,891
Unamortized premium	2,068,471	-	77,365	1,991,106	-
Total general obligation bonds	126,393,584	3,436,394	2,232,397	127,597,581	2,391,891
Compensated absences	100,933	82,150	80,695	102,388	-
Total	\$ 126,494,517	\$ 3,518,544	\$ 2,313,092	\$ 127,699,969	\$ 2,391,891

The outstanding bonded debt of Wiseburn School District at June 30, 2012 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2011	Additions*	Deductions	Bonds Outstanding June 30, 2012
1997A	7/31/1997	2023	4.5-6.875	\$ 10,996,021	\$ 1,608,434	\$ 89,680	\$ -	\$ 1,698,114
1999A	8/18/1999	2025	3.8-6.0	3,103,182	4,058,767	39,984	110,032	3,988,719
2000A	11/1/2000	2026	3.75-5.25	23,817,574	1,761,246	161,156	-	1,922,402
2001	10/26/2001	2027	3.75-5.25	11,181,598	12,483,328	580,927	625,000	12,439,255
2005 Refunding	5/2/2005	2023	3.0-5.0	26,715,000	24,665,000	-	1,370,000	23,295,000
2007A	8/9/2007	2032	4.0-5.0	20,056,687	21,715,650	856,784	50,000	22,522,434
2008A	8/21/2008	2033	3.0-4.5	12,540,713	13,649,295	499,044	-	14,148,339
2010A	12/4/2010	2040	5.75	10,942,983	10,942,983	127,058	-	11,070,041
2011B	4/20/2011	2041	5.25-5.625	33,440,410	33,440,410	1,081,761	-	34,522,171
Total				<u>\$ 152,794,168</u>	\$ 124,325,113	\$ 3,436,394	\$ 2,155,032	125,606,475
Plus unamortized bond premium					2,068,471	-	77,365	1,991,106
Total general obligation bonds payable					\$ 126,393,584	\$ 3,436,394	\$ 2,232,397	\$ 127,597,581

*Additions include amounts for accreted interest

Election of 1997

On March 4, 1997, the District voters authorized \$14.1 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the facilities plan. On July 31, 1997, the District issued Series 1997A General Obligation Bonds in the amount of \$10,996,021. The issue consists of serial bonds with a stated interest rate ranging between 4.5% and 6.875% and fully maturing on August 1, 2022. At June 30, 2012, the principal balance outstanding was \$1,698,114, which includes \$902,093 of accreted interest on the capital appreciation bonds.

On August 18, 1999, the District issued Series 1999A General Obligation Bonds in the amount of \$3,103,182. The issue consists of serial bonds with a stated interest rate ranging between 3.8% and 6.0% and fully maturing on August 1, 2024. At June 30, 2012, the principal balance outstanding was \$3,988,719, which includes \$2,130,352 of accreted interest on the capital appreciation bonds.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Election of 2000

On June 6, 2000, the District voters authorized \$35 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the facilities plan. On November 1, 2000, the District issued 2000 Series A General Obligation Bonds in the amount of \$23,817,574. The issue consists of serial bonds with a stated interest rate ranging between 3.75% and 5.25% and fully maturing on August 1, 2025. At June 30, 2012, the principal balance outstanding was \$1,922,402, which includes \$1,169,828 of accreted interest on the capital appreciation bonds.

On October 26, 2001, the District issued Series 2001 General Obligation Bonds in the amount of \$11,181,598. The issue consists of serial bonds with a stated interest rate ranging between 3.75% and 5.25% and fully maturing on August 1, 2026. At June 30, 2012, the principal balance outstanding was \$12,439,255, which includes \$4,517,657 of accreted interest on the capital appreciation bonds.

2005 Refunding Bonds

On May 2, 2005, the District issued 2005 Series A General Obligation Bonds in the amount of \$26,715,000. The issue consists of serial bonds with a stated interest rate ranging between 3.0% and 5.0% and fully maturing on August 1, 2023. At June 30, 2012, the principal balance outstanding was \$23,295,000.

Election of 2007

On June 12, 2007, the District voters authorized \$32.6 million in General Obligation Bonds to construct, acquire, and improve District facilities. On August 9, 2007, the District issued 2007 Series A General Obligation Bonds in the amount of \$20,056,687. The issue consists of serial bonds with a stated interest rate ranging between 4.0% and 5.0% and fully maturing on August 1, 2032. At June 30, 2012, the principal balance outstanding was \$22,522,434, which includes \$2,760,746 of accreted interest on the capital appreciation bonds.

On August 21, 2008, the District issued 2008 Series A General Obligation Bonds in the amount of \$12,540,713. The issue consists of serial bonds with a stated interest rate ranging between 3.0% and 4.5% and fully maturing on August 1, 2033. At June 30, 2012, the principal balance outstanding was \$14,148,339, which includes \$1,607,626 of accreted interest on the capital appreciation bonds.

Election of 2010

On November 2, 2010, the District voters authorized \$87 million in General Obligation Bonds to finance the construction and improvement of District facilities. On December 4, 2010, the District issued 2010 Series A General Obligation Bonds in the amount of \$10,874,794. The issue consists of serial bonds with a stated interest rate of 5.75% and fully maturing on August 1, 2040. At June 30, 2012, the principal balance outstanding was \$11,070,041, which includes accreted interest of \$195,247.

On April 20, 2011, the District issued 2011 Series B General Obligation Bonds in the amount of \$33,191,122. The issue consists of serial bonds with a stated interest rate ranging between 5.25% and 5.625% and fully maturing on August 1, 2041. At June 30, 2011, the principal balance outstanding was \$34,522,171, which includes accreted interest of \$1,331,049.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ended June 30,	Principal*	Interest	Total
2013	\$ 2,376,891	\$ 2,469,923	\$ 4,846,814
2014	2,677,520	3,495,076	6,172,596
2015	3,021,154	2,350,693	5,371,847
2016	2,951,613	2,716,118	5,667,731
2017	3,259,082	2,724,274	5,983,356
2018 - 2022	19,698,931	15,378,097	35,077,028
2023 - 2027	17,807,106	27,738,056	45,545,162
2028 - 2032	15,328,650	28,279,282	43,607,932
2033 - 2037	18,645,930	35,206,829	53,852,759
2038 - 2042	25,225,000	2,857,222	28,082,222
Total	\$ 110,991,877	\$ 123,215,570	\$ 234,207,447

* Does not include accreted interest of \$14,614,598 as of June 30, 2012

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500
Stores inventory	7,494	-	-	-	7,494
Total non-spendable	14,994	-	-	-	14,994
Restricted					
Educational programs	49,388	-	-	-	49,388
Capital projects	-	51,949,558	-	31,310	51,980,868
Debt service	-	-	4,051,990	-	4,051,990
All others	-	-	-	3,428	3,428
Total restricted	49,388	51,949,558	4,051,990	34,738	56,085,674
Assigned					
Other assignments	1,100,847	-	-	177,079	1,277,926
Total assigned	1,100,847	-	-	177,079	1,277,926
Unassigned					
Reserve for economic uncertainties	2,263,496	-	-	-	2,263,496
Total unassigned	2,263,496	-	-	-	2,263,496
Total	\$ 3,428,725	\$ 51,949,558	\$ 4,051,990	\$ 211,817	\$ 59,642,090

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	64
Active plan members	20
Total*	84
Number of participating employers	1

*As of July 1, 2010 actuarial study

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who were hired before September 1, 1990 and who retire from the District on or after attaining age 55 with at least 15 years of service. The District provides lifetime medical benefits to eligible certificated and classified retirees at rate of \$4,052 per year. Eligible management and confidential retirees are provided a lifetime health care benefits subsidy for the retiree plus one medical and dental coverage up to the highest rate.

B. Funding Policy

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2011-12 the District contributed \$344,914.

As of June 30, 2012, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	316,925
Interest on net OPEB obligation		(4,242)
Adjustment to annual required contribution		5,385
Annual OPEB cost (expense)		318,068
Contributions made		344,914
Increase (decrease) in net OPEB asset		26,846
Net OPEB asset, beginning of the year		84,835
Net OPEB asset, end of the year	\$	111,681

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 318,068	108%	\$ 111,681
2011	\$ 317,540	112%	\$ 84,835
2010	\$ 351,209	113%	\$ 45,651

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ 4,582,157	\$ 4,582,157	0%	\$ 7,705,406	59%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2010
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Level Dollar Method
Remaining Amortization Period	29
Asset Valuation	Market Value Basis
Actuarial Assumptions:	
Discount rate	5.0%
Health care trend rates:	
Medical	9.0%
Dental	5.0%

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement 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).

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 747,901	100%
2010-11	\$ 738,212	100%
2009-10	\$ 738,039	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$386,824 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 221,184	100%
2010-11	\$ 219,213	100%
2009-10	\$ 273,130	100%

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

C. Construction Commitments

As of June 30, 2012, the District had commitments with respect to the following unfinished capital projects:

	Remaining Construction Commitment
Capital Projects	
Burnett Multi-Purpose Room	\$ 2,872,048
Dana Concession Stand	342,767
Total	<u>\$ 3,214,815</u>

WISEBURN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers agreements (JPA) entities:

- Property and Liability Insurance – Alliance of Schools Cooperative Insurance Program (ASCIP), which arranges for and provides liability and property insurance for its member districts. The district pays premiums commensurate with the level of coverage requested through ASCIP.
- Workers' Compensation Insurance – Protected Insurance Program for Schools (PIPS), which investigates, defends and/or settles, and administrates Workers' Compensation claims. The district pays premiums based on their respective experience rating.
- Employee Benefits – Self-Insurance Risk Management Authority III (SIRMA III), which provides the capability of self-insuring for dental, vision benefits and other employee benefit protection plans.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationships between the Wiseburn School District and the JPAs are such that none of the JPAs are a component unit of the District. The most currently available summary financial information is available from the JPA.

NOTE 14 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

The District issued \$1,800,000 of TRANs received subsequent to June 30, 2012. The notes mature on February 28, 2013, and yield a 2.0% interest rate. The notes were sold to supplement cash flow. Repayment requirements are that amounts be deposited with the Fiscal Agent during the period January 1, 2013 through and including February 28, 2013 until 100% of total principal and interest have been deposited.

Sale of Property

On October 4, 2012, Wiseburn School District sold property to FNL/Douglas Partners, LLC for \$6,550,000. The District received a note for the full amount at 2.0% interest. The Note matures on October 4, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**WISEBURN SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 9,693,604	\$ 9,715,497	\$ 9,937,969	\$ 222,472
Local sources	4,232,848	4,230,872	4,169,739	(61,133)
Transfers	(1,091,952)	(1,088,224)	(1,198,391)	(110,167)
Federal sources	902,100	1,057,841	1,078,009	20,168
Other State sources	2,713,000	2,772,600	2,859,281	86,681
Other local sources	1,051,250	1,448,250	1,846,775	398,525
Total Revenues	17,500,850	18,136,836	18,693,382	556,546
EXPENDITURES				
Certificated salaries	9,429,400	9,239,400	9,188,744	50,656
Classified salaries	2,584,000	2,620,041	2,589,051	30,990
Employee benefits	2,823,604	2,925,967	2,905,848	20,119
Books and supplies	568,000	568,000	565,911	2,089
Services and other operating expenditures	1,890,472	2,090,772	2,524,358	(433,586)
Capital outlay	28,000	28,000	-	28,000
Other outgo				
Excluding transfers of indirect costs	800,000	800,000	721,854	78,146
Total Expenditures	18,123,476	18,272,180	18,495,766	(223,586)
Excess (Deficiency) of Revenues				
Over Expenditures	(622,626)	(135,344)	197,616	332,960
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	1,953,983	1,953,983	1,953,983	-
Fund Balance - Ending	\$ 1,331,357	\$ 1,818,639	\$ 2,151,599	\$ 332,960

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$386,824 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Revenue Fund for Other Than Capital Outlay Projects and Special Revenue Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

**WISEBURN SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Valuation of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	4,822,030	4,822,030	0%	1,872,271	258%
July 1, 2010 \$	4,582,157 \$	4,582,157	0% \$	7,705,406	59%

See accompanying note to required supplementary information.

WISEBURN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Services and other operating expenditures	\$ 2,090,772	\$ 2,524,358	\$ 433,586

SUPPLEMENTARY INFORMATION

WISEBURN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 154,444
Title II, Part A, Administrator Training	84.367	14344	7,600
Title II, Part A, Teacher Quality	84.367A	14341	47,888
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	33,567
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	245,885
Part B, Preschool Grants	84.173	13430	32,564
Part B, Preschool Accountability Grants	84.173	14688	40,000
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	65,570
Preschool Staff Development	84.173A	13431	133
Subtotal Special Education Cluster			384,152
IDEA Early Intervention Grants	84.181	23761	226,304
Education Jobs Fund	84.410	25152	212,322
Total U. S. Department of Education			1,066,277
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
National School Lunch Program	10.555	13391	358,990
Total U. S. Department of Agriculture			358,990
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	16,745
Total U. S. Department of Health & Human Services			16,745
Total Federal Expenditures			\$ 1,442,012

See accompanying note to supplementary information.

**WISEBURN SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2012**

	Second Period Report	Revised Second Period Report*	Annual Report
ELEMENTARY			
Kindergarten	278	278	279
First through third	776	776	774
Fourth through sixth	729	730	729
Seventh through eighth	642	645	645
Special education	49	48	48
Total Elementary	2,474	2,477	2,475
Average Daily Attendance Total	2,474	2,477	2,475

* Revised second period report includes adjustments due to audit findings as well as other adjustments made by the District.

**WISEBURN SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982 - 83	1982 - 83	1986 - 87 Minutes Requirement	1986 - 87	2011-12	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced		Requirement Reduced	Actual Minutes		
Kindergarten	31,500	29,400	36,000	33,600	48,810	175	Complied
Grade 1	48,385	45,159	50,400	47,040	49,375	175	Complied
Grade 2	48,385	45,159	50,400	47,040	49,375	175	Complied
Grade 3	48,385	45,159	50,400	47,040	52,290	175	Complied
Grade 4	51,885	48,426	54,000	50,400	52,605	175	Complied
Grade 5	51,885	48,426	54,000	50,400	52,605	175	Complied
Grade 6	53,285	49,733	54,000	50,400	53,840	175	Complied
Grade 7	53,285	49,733	54,000	50,400	53,840	175	Complied
Grade 8	53,285	49,733	54,000	50,400	53,840	175	Complied

See accompanying note to supplementary information.

**WISEBURN SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 17,651,316	\$ 18,693,382	\$ 18,229,180	\$ 16,446,965
Expenditures And Other Financing Uses	18,168,875	18,495,766	17,777,903	17,134,629
Net change in Fund Balance	\$ (517,559)	\$ 197,616	\$ 451,277	\$ (687,664)
Ending Fund Balance	\$ 1,634,041	\$ 2,151,599	\$ 3,219,165	\$ 1,502,697
Available Reserves	\$ 1,609,181	\$ 2,263,496	\$ 1,647,626	\$ 1,366,559
Available Reserves As A Percentage Of Outgo	8.86%	12.24%	9.27%	7.98%
Long-term Debt	\$ 125,308,078	\$ 127,699,969	\$ 126,494,517	\$ 80,762,991
Average Daily Attendance At P-2	2,454	2,477	2,427	2,323

The General Fund balance has increased by \$648,902 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$517,559. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long term obligations have increased by \$46,936,978 over the past two years.

Average daily attendance has increased by 154 ADA over the past two years. A decrease of 23 ADA is anticipated during the 2012-13 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other than Capital Outlay Projects

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On behalf payments of \$386,824 are not included in the actual revenues and expenditures reported in this schedule.

**WISEBURN SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Special Reserve Fund for Other than Capital Outlay	Special Reserve Fund for Postemployment Benefits
June 30, 2012, annual financial and budget report fund balance	\$ 2,151,599	\$ 176,279	\$ 1,100,847
Adjustments and reclassifications:			
Fund balance transfer (GASB54)	1,277,126	(176,279)	(1,100,847)
Net adjustments and reclassifications	1,277,126	(176,279)	(1,100,847)
June 30, 2012, audited financial statement fund balance	<u>\$ 3,428,725</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**WISEBURN SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012**

Charter School	Status	Included in Audit Report
Da Vinci Design Charter School	Active	Not included
Da Vinci Science Charter School	Active	Not included

See accompanying note to supplementary information.

WISEBURN SCHOOL DISTRICT
SCHEDULE OF BOND EXPENDITURES – MEASURE A AND MEASURE AA
FOR THE YEAR ENDED JUNE 30, 2012

	2011-12
Measure A Project	Expenditures
Burnett Classroom Project	\$ 50,053
Burnett Multi-Purpose Room	1,395,486
Cabrillo School	170,781
District Wide	78,419
Legal and Bond Fees	26,516
Dana Concession Stand	13,753
Total Expenditures	<u>\$ 1,735,008</u>

	2011-12
Measure AA Project	Expenditures
Legal and Bond Fees	\$ 53,190
Consulting Fees	180,768
Total Expenditures	<u>\$ 233,958</u>

This schedule provides a summary of Measure A and Measure AA expenditures by project subjected to auditing procedures performed in relation to the financial statements taken as a whole.

WISEBURN SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 1,436,999
Title II, Part A, Teacher Quality	84.367A	<u>5,013</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,442,012</u>

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46206*.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections 46201.2 and 46201.3*.

Schedule of Financial Trends and Analysis

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

WISEBURN SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Schedule of Bond Expenditures – Measure A and Measure AA

This schedule provides a summary of Measure A and Measure AA expenditures by project subjected to auditing procedures performed in relation to the financial statements taken as a whole.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board
Wiseburn School District
Hawthorne, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wiseburn School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2012. 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.

Internal Control over Financial Reporting

Management of Wiseburn School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wiseburn School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wiseburn School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wiseburn School District's internal control over financial reporting.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 6, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board
Wiseburn School District
Hawthorne, California

Compliance

We have audited Wiseburn 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 its major federal programs for the year ended June 30, 2012. Wiseburn 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wiseburn School District's management. Our responsibility is to express an opinion on Wiseburn School District's compliance based on our audit.

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 Wiseburn 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. Our audit does not provide a legal determination of Wiseburn School District's compliance with those requirements.

In our opinion, Wiseburn School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control over Compliance

Management of Wiseburn School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wiseburn School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Wiseburn School District's internal control over compliance.

A deficiency in internal control over compliance 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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses* as defined above.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California
December 6, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Wiseburn School District
 Hawthorne, California

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

We have audited Wiseburn School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Wiseburn School District's management. Our responsibility is to express an opinion on Wiseburn School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Wiseburn 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. Our audit does not provide a legal determination on Wiseburn School District's compliance with the state laws and regulations referred to above.

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

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

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PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

In our opinion, Wiseburn School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12* and which are reported in the accompanying Schedule of Audit Findings and Questioned Costs as finding #2012-1.

Wiseburn School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Wiseburn School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
December 6, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WISEBURN SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.027, 84.173, 84.027A, 84.173A</u>	<u>Special Education Cluster (IDEA)</u>
<u>10.555</u>	<u>National School Lunch Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

WISEBURN SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings for the 2011-12 fiscal year.

WISEBURN SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the 2011-12 fiscal year

WISEBURN SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2012-1: ATTENDANCE ACCOUNTING (10000)

Criteria: Source documents of attendance should be correctly posted to the District's attendance system per Education Code Section 46000. Auditors are required to verify compliance in Section 19817.1 of the Standards and Procedures for Audits of California K-12 Local Education Agencies.

Condition: From our testing we have discovered the following issues at Dana Middle School:

- Student attendance rosters did not accurately match the attendance accounting system.
- The attendance accounting system did not accurately match the tardy sign-in-sheets.

Context: 4 of 35 attendance rosters tested noted exceptions.

Cause: Insufficient controls over attendance reporting for homerooms.

Effect: The District understated 4 days of attendance due to source documentation not being reflected in the attendance accounting system.

ADA Impact: The District's P2 report was understated by 4 days resulting in an estimated loss of \$195.73, calculated as follows. The District's P2 reporting period contained 132 days and the base revenue limit was \$6,459.13. ($4/132 * \$6,459.13 = \195.73).

Recommendation: We recommend that homeroom attendance, including tardies, be reviewed closely in order to include any unclaimed ADA in a revised P2 attendance report. Additionally, we recommend that the school site staff be reminded of the importance of attendance accounting through periodic training on attendance.

District Response: The District previously under-reported ADA due to the fact that students arriving late were not reported as tardy, effectively changing their status from absent to present. In 2011-12, the District had new staff at the middle school who were unaware of District policy regarding absences and ADA reporting. The District has since corrected the reporting errors and has implemented policies in order to insure the inaccurate reporting does not occur again.

**WISEBURN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2011-1: ASSOCIATED STUDENT BODY FUNDS INTERNAL CONTROLS (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

Condition: In our test of cash receipts, we found that 2 out of 6 cash receipts tested did not have sufficient supporting documentation to reconcile cash collected with actual proceeds from sales. One cash receipt was for Jump Start deposited on 9/22/10 did not have adequate cash control sheet for \$1,430 (actual cash collected) of the \$1,742 that was received. The \$312 represents the amount of checks that were received verified for deposit. The other cash receipt was for dance, grams and snack sales for February deposited on 2/25/11 that had no adequate cash control sheet.

Cause: The District ASB policies and procedures have not been communicated to those with responsibility for managing ASB resources.

Effect: The possibility exists for waste or abuse of ASB resources without timely detection.

Recommendations: We recommend that the ASB use inventory or tally sheets to record snack sales and pre-numbered tickets and ticket log for events to reconcile cash collected to actual proceeds from sales.

District Response: The District staff will work with ASB staff to ensure that adequate internal control procedures over cash receipting are implemented.

Current Status: Implemented