TAFT UNION HIGH SCHOOL DISTRICT

COUNTY OF KERN
TAFT, CALIFORNIA

AUDIT REPORT

JUNE 30, 2016

TAFT UNION HIGH SCHOOL DISTRICT
COUNTY OF KERN
JUNE 30, 2016

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FINANCIAL SECTION

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Taft Union High School District
Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taft Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements and schedules as listed in the table of contents under the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 12, 2016

The management's discussion and analysis of Taft Union High School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this management's discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights:

- The District's financial status continues to remain solid. The District is able to meet all of the current needs and maintain a more than adequate reserve. However, continued changes in school finances may greatly change the current outlook over the course of the next few years.
- Overall revenues for all governmental funds were $28,743,385, which is $4,395,478, less than expenditures totaling $33,138,863.
- The general fund's fund balance decreased $4,279,677 for the fiscal year.
- Enrollment in the District decreased by 1.7%.

Overview of Financial Statements

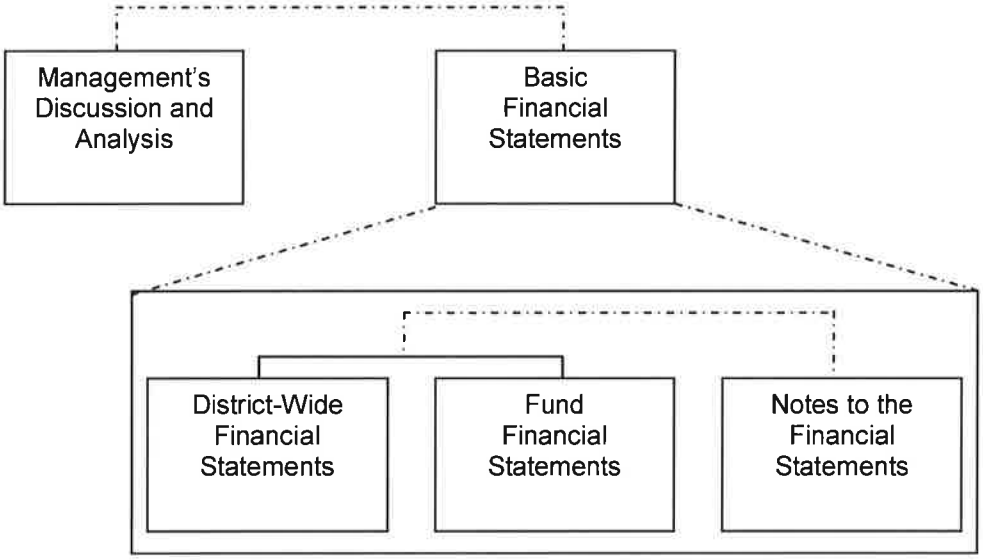
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the district-wide statements.
- The governmental fund statements tell how basic services like regular and special education were financed in the short-term, as well as what remains for future spending.
- The fiduciary funds statement is for the student body funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1 Organization of Taft Union High School District's Annual Financial Report



District-Wide Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 district-wide statements report the District's net position. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position will be an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

District-wide financial statements include the governmental activities, which include the basic services such as regular and special education transportation and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was $52,895,469 at June 30, 2016. The District's net position decreased by 6.62% or $3,752,167 over 2015. Table A-1 below identifies the total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and total net position as of June 30, 2016, and the changes over 2015.

Table A-1
Taft Union High School District
Net Position – Governmental Activities
June 30, 2016 and 2015

	2016	2015	Percentage Increase (Decrease)
Current and Other Assets	$60,497,764	$62,588,854	-3.34%
Capital Assets, Net	15,494,921	13,653,618	13.49%
Total Assets	75,992,685	76,242,472	-0.33%
Deferred Outflows of Resources	1,687,708	1,209,305	100.00%
Long-Term Liabilities	18,875,654	15,216,159	24.05%
Other Liabilities	4,268,859	1,964,471	117.30%
Total Liabilities	23,144,513	17,180,630	34.71%
Deferred Inflows of Resources	1,640,411	3,623,511	0.00%
Net Position			
Net Investment in Capital Assets	15,494,921	13,653,618	13.49%
Restricted	48,117,138	42,596,357	12.96%
Unrestricted	(10,716,590)	397,661	-2794.91%
Total Net Position	$52,895,469	$56,647,636	-6.62%

Changes in Net Position. Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for 2015-16 and the end of the year net position. Federal and State Aid account for most of the District's revenue. The next largest revenue source is from property taxes, and the remainder from miscellaneous sources. Figure A-2 presents the revenue by percent. Expenses are identified using different categories. Instruction and instruction-related services are 46% of the total expenses. Figure A-3 presents the total expenses by percent.

Table A-2
Taft Union High School District
Change in Net Position
For the Years Ended June 30, 2016 and 2015

	2016	2015	Percentage Increase (Decrease)
Net Position Beginning Balance	$ 56,647,636	$ 44,892,258	26.19%
Revenues			
Program Revenues			
Charges for Services	59,962	74,950	-20.00%
Operating Grants and Contributions	2,439,137	833,171	192.75%
General Revenues			
Property Taxes	10,096,863	41,064,308	-75.41%
Federal and State Aid	16,695,149	488,345	3318.72%
Other	964,271	231,149	317.16%
Total Revenues	30,255,382	42,691,923	-29.13%
Expenses			
Instruction	14,164,159	11,041,816	28.28%
Instruction-Related Services	1,376,487	1,920,794	-28.34%
School Site Administration	928,184	940,112	-1.27%
Pupil Services	4,660,825	4,563,429	2.13%
General Administration	1,495,393	1,545,902	-3.27%
Plant Services	5,359,417	5,525,142	-3.00%
Ancillary Services	1,035,168	1,203,060	-13.96%
Other Outgo	4,985,659	4,194,963	18.85%
Depreciation (Unallocated)	2,257	1,327	100.00%
Total Expenses	34,007,549	30,936,545	9.93%
Change in Net Position	(3,752,167)	11,755,378	-131.92%
End of Year Net Position	$ 52,895,469	$ 56,647,636	-6.62%

Figure A-2 Sources of Revenue for 2015-16

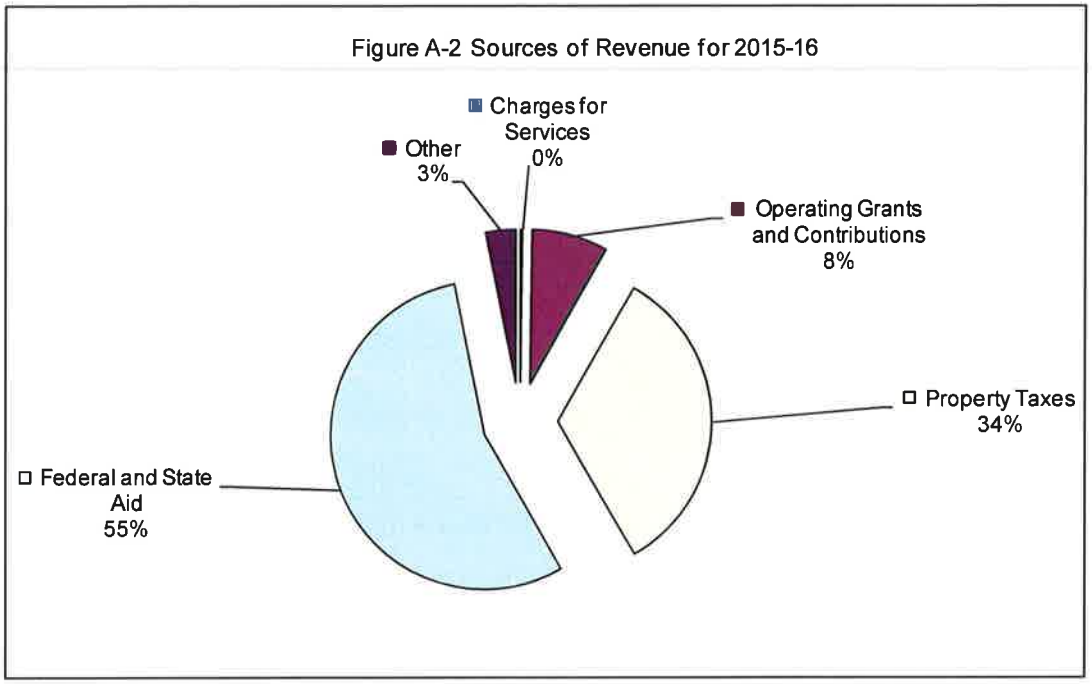


Figure A-3 Expenses for 2015-16

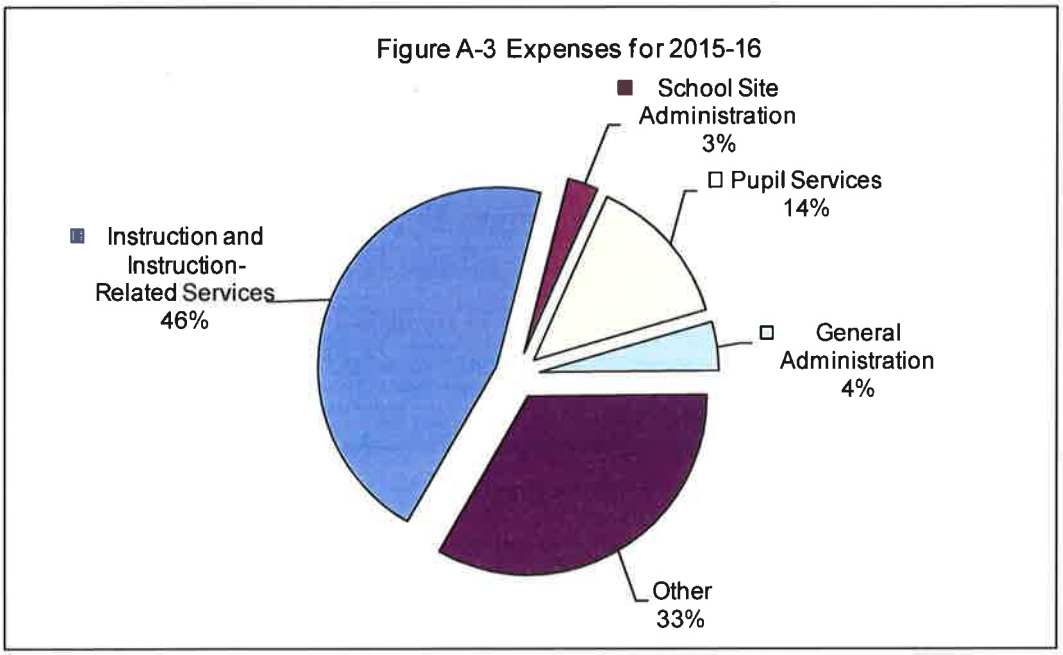


Table A-3 presents the cost of the major District activities: Instruction and Instruction-Related Services, School Site Administration, Pupil Services, General Administration, Plant Services, Ancillary Services, and Other Outgo. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on other sources of funding.

Table A-3
Taft Union High School District
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 14,164,159	$ 12,104,968
Instruction-Related Services	1,376,487	1,320,069
School Site Administration	928,184	883,305
Pupil Services	4,660,825	4,399,350
General Administration	1,495,393	1,461,524
Plant Services	5,359,417	5,354,451
Ancillary Services	1,035,168	1,003,718
Other Outgo	4,985,659	4,978,808
Depreciation (Unallocated)	2,257	2,257
	$ 34,007,549	$ 31,508,450

Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $56,228,905. Average Daily Attendance (ADA) is expected to increase slightly in fiscal year 2016-17. The District expects to maintain a sound financial picture as its reserves continue at healthy levels.

Over the course of any fiscal year, the District's general fund budget was and will be revised several times over the course of a year. These amendments fall into the following categories:

- Final amounts for State and Federal grants become available and budgets are revised mid-year.
- Budgets are revised when negotiations are completed.
- Final budget revisions are made to cover all areas of expenditures.

Capital Assets

The District has established a $5,000 threshold for identifying capital assets. Land, buildings and improvements, equipment, and construction in progress are categorized as capital assets. Table A-4 presents these categories (at cost) and the amounts associated less accumulated depreciation and changes that occurred during the year. The total capital assets for governmental activities are $15,494,921.

Table A-4
Taft Union High School District
Capital Assets - Governmental Activities

	2016	2015	Current Change
Land	$ 390,884	$ 390,884	$ -
Buildings and Improvements	20,287,013	19,998,956	288,057
Equipment	9,956,311	9,408,546	547,765
Construction in Progress	2,161,177	113,126	2,048,051
Less: Accumulated Depreciation	(17,300,464)	(16,257,894)	(1,042,570)
Total	$ 15,494,921	$ 13,653,618	$ 1,841,303

Long-Term Liabilities

At year-end, the District had $1,928,868 outstanding in other postemployment benefits other than pension benefits (OPEB), $106,830 outstanding in compensated absences, and $16,839,956 in net pension liability, as shown in Table A-5.

Table A-5
Taft Union High School District
Outstanding Long-Term Debt at Year-End

	Governmental Activities		Dollar
	2016	2015	Change
OPEB Obligation	$ 1,928,868	$ 2,047,677	$ (118,809)
Compensated Absences	106,830	87,810	19,020
Net Pension Liability	16,839,956	13,080,672	3,759,284
Total	$ 18,875,654	$ 15,216,159	$ 3,659,495

Factors Bearing on the District's Future

The District continues to employ a very conservative fiscal strategy in 2016-17 budget year appropriations in order to be able to continue to meet its current needs. The District currently has a 70.63% reserve, which is 66.63% more than is required.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Taft Union High School District, Business Services Department, 701 Wildcat Way, Taft, California 93268.

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash in County Treasury	$ 29,157,753
Cash in Revolving Fund	75,456
Investments	30,683,930
Accounts Receivable	550,508
Stores Inventory	30,117
Total Current Assets	60,497,764
Capital Assets	
Land	390,884
Construction in Progress	2,161,177
Improvement of Sites	2,816,567
Buildings	17,470,446
Equipment	9,956,311
Less Accumulated Depreciation	(17,300,464)
Total Capital Assets, Net of Depreciation	15,494,921
Total Assets	75,992,685
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions and Differences Between Expected and Actual Experience	1,687,708
LIABILITIES	
Accounts Payable and Other Current Liabilities	4,268,859
Long-Term Liabilities	
Due Within One Year Other than Pensions	106,830
Due in More Than One Year Other than Pensions	1,928,868
Net Pension Liability	16,839,956
Total Liabilities	23,144,513
DEFERRED INFLOWS OF RESOURCES	
Pension Differences Between Projected and Actual Earnings on Pension Plan Investments and Changes of Assumptions	1,640,411
NET POSITION	
Net Investment in Capital Assets	15,494,921
Restricted for:	
Capital Projects	28,117,138
Educational Programs	20,000,000
Unrestricted	(10,716,590)
Total Net Position	$ 52,895,469

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) and Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 14,164,159	$ -	$ 2,059,191	$ -	$(12,104,968)
Instruction-Related Services:					
Instructional supervision and administration	332,093	-	42,508	-	(289,585)
Instructional Library, Media, and Technology	1,044,394	-	13,910	-	(1,030,484)
School Site Administration	928,184	-	44,879	-	(883,305)
Pupil Services:					
Home-to-School Transportation	530,169	-			(530,169)
Food Services	1,440,040	55,538	6,803	-	(1,377,699)
All Other Pupil Services	2,690,616	-	199,134	-	(2,491,482)
General Administration:					
Central Data Processing	2,968	-	-	-	(2,968)
All Other General Administration	1,492,425	-	33,869	-	(1,458,556)
Plant Services	5,359,417	4,424	542	-	(5,354,451)
Ancillary Services	1,035,168	-	31,450		(1,003,718)
Other Outgo	4,985,659	-	6,851		(4,978,808)
Depreciation (unallocated)*	2,257	-	-		(2,257)
Totals	$ 34,007,549	$ 59,962	$ 2,439,137	$ -	(31,508,450)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	10,087,382
Taxes Levied for Other Specific Purposes	9,481
Federal and State Aid Not Restricted to Specific Purposes	16,695,149
Interest and Investment Earnings	860,701
Miscellaneous	103,570
Total General Revenues	27,756,283
Change in Net Position	(3,752,167)
Net Position Beginning	56,647,636
Net Position Ending	$ 52,895,469

* This amount excludes depreciation that is included in the direct expenses of various programs.

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

TAFT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash in County Treasury	$ 17,878,681	$ 10,224,976	$ 1,054,096	$ 29,157,753
Cash in Revolving Fund	75,000	-	456	75,456
Investments	12,813,144	17,870,786	-	30,683,930
Accounts Receivable	458,623	21,376	1,419	481,418
Due From Grantor Government	69,090	-	-	69,090
Stores Inventory	-	-	30,117	30,117
TOTAL ASSETS	$ 31,294,538	$ 28,117,138	$ 1,086,088	$ 60,497,764
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 4,261,843	$ -	$ 7,016	$ 4,268,859
TOTAL LIABILITIES	4,261,843	-	7,016	4,268,859
FUND BALANCES				
Nonspendable				
Revolving Cash	75,000	-	456	75,456
Stores Inventory	-	-	30,117	30,117
Restricted	140,712	-	995,080	1,135,792
Assigned	25,106,954	28,117,138	53,419	53,277,511
Unassigned				
Designated for Economic Uncertainties	1,710,029	-	-	1,710,029
TOTAL FUND BALANCES	27,032,695	28,117,138	1,079,072	56,228,905
TOTAL LIABILITIES AND FUND BALANCES	$ 31,294,538	$ 28,117,138	$ 1,086,088	$ 60,497,764

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

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds		$ 56,228,905
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets is $32,795,385, and the accumulated depreciation is $(17,300,464).		15,494,921
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Compensated absences	$ (106,830)	
Post-employment benefits other than pension benefits (OPEB) liability	(1,928,868)	
Net pension liability (NPL)	(16,839,956)	(18,875,654)
Deferred outflows of resources are not current assets or financial resources, and deferred inflows of resources are not due and payable in the current period and therefore not reported in the governmental funds.		
Deferred outflows of resources	1,687,708	
Deferred inflows of resources	(1,640,411)	47,297
Total Net Position - Governmental Activities		$ 52,895,469

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula Sources	$ 26,100,545	$ -	$ -	$ 26,100,545
Federal Revenues	159,063	-	-	159,063
Other State Revenues	951,757	-	-	951,757
Other Local Revenues	943,559	520,781	67,680	1,532,020
TOTAL REVENUES	28,154,924	520,781	67,680	28,743,385
EXPENDITURES				
Instruction	8,338,082	-	-	8,338,082
Instruction - Related Services	4,853,992	-	369,252	5,223,244
Pupil Services	6,019,842	-	271,308	6,291,150
Ancillary Services	3,491,872	-	594,519	4,086,391
General Administration	3,592,517	-	106,744	3,699,261
Plant Services	490,327	-	24,746	515,073
Other Outgo	4,985,662	-	-	4,985,662
TOTAL EXPENDITURES	31,772,294	-	1,366,569	33,138,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,617,370)	520,781	(1,298,889)	(4,395,478)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000,000	-	662,307	10,662,307
Transfers Out	(10,662,307)	-	-	(10,662,307)
TOTAL OTHER FINANCING SOURCES (USES)	(662,307)	-	662,307	-
Net Change in Fund Balances	(4,279,677)	520,781	(636,582)	(4,395,478)
Fund Balances at Beginning of Year	31,312,372	27,596,357	1,715,654	60,624,383
Fund Balances at End of Year	$ 27,032,695	$ 28,117,138	$ 1,079,072	$ 56,228,905

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

TAFT UNION HIGH 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, 2016

Total Net Change in Fund Balances - Governmental Funds	$ (4,395,478)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays $2,883,873 exceeded depreciation $(1,042,570) in the current period.	1,841,303
Post-employment benefits other than pension benefits (OPEB) costs are recognized when the employer contributions are made for governmental fund purposes. In the government-wide statements, OPEB costs are recognized on the accrual basis of accounting as determined by the actuary. The difference between actuarially determined OPEB costs and actual employer contributions is:	118,809
Compensated absences are measured by the amounts paid during the period. However, in the statement of activities, compensated absences are measured by the amounts earned. This is the amount between compensated absences paid and compensated absences earned.	(19,020)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis of accounting. This year, the difference between accrual-basis pension costs and the actual employer contributions was:	(1,297,781)
Change in Net Position - Governmental Activities	$ (3,752,167)

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds Student Body Funds
ASSETS	
Cash on Hand and in Banks	$ 268,921
TOTAL ASSETS	$ 268,921
LIABILITIES	
Due to Student Groups	$ 268,921

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Taft Union High 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The Statement of Net Position reports total net position and is displayed in three components – net investment in capital assets, restricted net position, and unrestricted net position.

The net position component *net investment in capital assets* consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statements of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position by the District that is applicable to a future reporting period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources are defined as an acquisition of net position that is applicable to a future reporting period. The District reports deferred outflows of resources and deferred inflows of resources related to its defined benefit pension plans. Refer to Note 9 for detailed discussion of the District's deferred outflows and inflows of resources.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current net position.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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. Fiduciary funds use the accrual basis of accounting.

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 of accounting when the exchange takes place. On a modified accrual basis of accounting, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. 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 of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from 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 specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it can be recognized.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Reserve Capital Projects Fund* is used to account for the acquisition/renovation of major governmental capital facilities and buildings from the accumulation of excess revenues.

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two non-major special revenue funds:

The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeterias.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the school's student body accounts. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all associated student body funds within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State of California (the State) law, the District's governing board must adopt a tentative budget no later than July 1 and a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund of the District in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Balance

1. Deposits and Investments

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

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

2. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. These amounts are eliminated on the Statement of Net Position.

3. Stores Inventory

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are capitalized and reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Balance (Continued)

4. Capital Assets (Continued)

Asset Class	Estimated Useful Life in Years
Land	N/A
Site improvements	20
School buildings	50
Portable classrooms	25
HVAC systems	20
Roofing	20
Interior construction	25
Carpet replacement	7
Electrical/plumbing	30
Sprinkler/fire system	25
Outdoor equipment	20
Machinery and tools	15
Kitchen equipment	15
Custodial equipment	15
Science and engineering	10
Furniture and accessories	20
Business machines	10
Copiers	5
Communication equipment	10
Computer hardware	5
Computer software	5 to 10
Computer software	10 to 20
Audio visual equipment	10
Athletic equipment	10
Musical instruments	10
Library books	5 to 7
Licensed vehicles	8
Contractors equipment	10
Grounds equipment	15

5. Unearned Revenue

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

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

6. Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Balance (Continued)

7. Fund Balance

In the fund financial statements, governmental funds report fund balance in five categories as follows: nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Categories and Authority to Commit and Assign Funds

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The District considers store inventory and revolving cash as nonspendable.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Included in restricted amounts are $140,712 for Proposition 39 and $995,080 for the nutrition program.

Committed fund balance – consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority. The District's governing board serves as the District's highest level of decision making authority and will have sole authority for establishing constraints on the use of governmental fund balances classified as Committed.

Assigned fund balance – consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. The District's governing board has authority to set aside or designate authority to set aside funds as Assigned for an intended purpose. The governing board authorized the Superintendent or designee in identifying intended uses of funds and so assigning residual balances. Any such assignments can be made any time prior to the issuance of the financial statements. The General Fund reports $25,106,954 for other post-employment benefits (OPEB), special reserves, and future cash flow needs. The special reserve for capital projects fund reports $28,117,138 for capital projects and the remaining $53,419 are for the purpose of the funds.

Unassigned fund balance – amounts that have not been assigned to other funds and have not been Restricted, Committed, or Assigned to specific purposes within the General Fund. It is the residual classification for the General Fund.

The General Fund should be the only fund that reports a positive Unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts Restricted, Committed, or Assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Minimum Unassigned Fund Balance

The District is determined to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted one-time expenditures. Therefore, the District will maintain an Unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127.

Order of Expenditures of Funds

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, Committed amounts should be reduced first, followed by Assigned amounts, and then Unassigned amounts.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Balance (Continued)

8. Local Control Funding Formula (LCFF)/Property Tax

The District's LCFF revenue is received from a combination of local property taxes, State apportionments, and other local sources. The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 15 and March 15, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1) and become delinquent if unpaid by August 31. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor-Controller reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The passage of the LCFF legislation (Assembly Bill (AB) 97 and Senate Bill (SB) 91) represents an historic reform to California's educational funding system that shifts from the previous general purpose funding, which was previously known as revenue limit, in order to simplify the categorical programs structure and make a wide range of programs flexible without reforming the funding system. Under this new funding system, most state categorical programs were eliminated. Funding is now based on the demographic profile of the students.

The Principal Apportionment includes funding for the LCFF, which is the primary source of the District's general purpose funding; funding for Special Education (AB 602); and funding for several other programs. The Principal Apportionment is a series of apportionment calculations that adjust the flow of state funds throughout the year as information becomes known.

The Advance Principal Apportionment, certified by July 20, is based primarily on prior fiscal year funding and establishes the monthly state aid payment amount for July through January.

The First Principal Apportionment (P-1), certified by February 20, is based on the first period data that the District reports to the California Department of Education (CDE) in November through January and establishes the monthly state aid payment for February through May.

The Second Principal Apportionment (P-2), certified by July 2 of the following year, is based on the second period data that the District reports to CDE in April and May and is the final state aid payment for the fiscal year ending in June.

9. Pensions

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Date of Management Review

The date to which events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosures is December 12, 2016, which is the date the financial statements were available to be issued. There were no items to report.

H. Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of GASB Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASB Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. The District has implemented the provisions of this statement for the year ended June 30, 2015, which decreased net position as of July 1, 2014.

J. Implementation of New Accounting Pronouncements

For the year ended June 30, 2016, the District implemented the following provisions of GASB:

GASB Statement No. 72 – *Fair Value Measurement and Application.* The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. The District has implemented the provisions of GASB Statement No. 72 in the current year. See Note 2 for detailed discussion of the effects of the District's financial statements as a result of the adoption of this standard.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* Statement No. 73 amends certain provisions, and clarifies the application of certain provisions of Statements No. 67 and No. 68 in order to improve the usefulness of information about pensions included in the financial reports of state and local governments for making decisions and assessing accountability. This statement did not have an impact on the District financial statements.

GASB Statement No. 76 – *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of this statement are effective for fiscal years beginning after June 15, 2015. The District has implemented the provisions of GASB Statement No. 72 in the current year. There was no effect on the District's accounting for financial reporting as a result of implementing this standard.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Implementation of New Accounting Pronouncements (Continued)

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants.* The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. This statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to the fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. There was no material impact on the District's financial statements as a result of the implementation of this statement.

K. Future GASB Statements

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefits Other than Pension Plans.* The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The District has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans.* The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The District has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures.* The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The provisions of this statement are effective for reporting periods beginning after December 15, 2015. The District has not fully judged the effect of implementation of GASB Statement No. 78 as of the date of the basic financial statements.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.* The requirements of this statement are effective for reporting periods beginning after June 30, 2016. Earlier application is encouraged. The District has determined this statement will not apply.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements.* The requirements of this statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District has not fully judged the effect of implementation of GASB Statement No. 81 as of the date of the basic financial statements.

GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not fully judged the effect of implementation of GASB Statement No. 82 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash, deposits, and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Deposits:	
Cash in Revolving Fund	$ 75,456
Pooled Funds:	
Cash in County Treasury	29,157,753
Investments	30,683,930
Total	59,917,139
Fiduciary Funds	
Deposits:	
Cash on Hand and in Banks	268,921
Total Fiduciary Funds	268,921
Total District Cash, Deposits, and Investments	$ 60,186,060

A. Cash in County Treasury

The District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled $29,157,753 as of June 30, 2016. The fair value of this pool as of that date, as provided by the pool sponsor, was $29,157,753. The District is considered to be an involuntary participant in the external investment pool.

B. Investments

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

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

The District's investments, which totaled $30,683,930 as of June 30, 2016, consist of investments authorized by the California Government Code and the District's investment policy, where more restrictive.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the **investment types** that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk,** and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	30%	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes* **	5 years	30%	$550,000
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Limited to ratings of "A" or better by Standard and Poor's. However, the District's policy allows securities with a rating lower than "A" to be reviewed on a case by case basis. The District's portfolio did not include investments with a rating lower than "A" by Standard and Poor's, which were reviewed with the District's consultant.

** No combined single corporate securities in the entire account shall exceed $2,250,000.

Disclosures Relating to 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 restricting the maturity of certain investments to a maximum of 5 years.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Securities	$ 15,128,580	$ -	$ 3,111,260	$ 12,017,320	$ -
County Investment Pool	29,157,753	29,157,753	-	-	-
Money Market Mutual Funds	468,417	468,417	-	-	-
Corporate Bonds	13,602,969	-	4,788,102	8,814,867	-
Certificates of Deposit	1,483,964	-	740,222	743,742	-
Totals	$ 59,841,683	$ 29,626,170	$ 8,639,584	$ 21,575,929	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District seeks to maintain a well diversified portfolio of investment instruments to avoid risks regarding an individual security, industry group, and market fluctuation, while seeking to obtain a return equal to or exceeding competitive indices of a fixed income portfolio but keeping the level of risk at an acceptable level. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* does not require disclosure as to credit risk:

				Rating as of Year-End		
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AA	A	Not Rated
U.S. Government Securities	$ 15,128,580	N/A	$ -	$ 15,128,580	$ -	$ -
County Investment Pool	29,157,753	N/A	-	-	-	29,157,753
Money Market Mutual Funds	468,417	N/A	-	-	-	468,417
Corporate Bonds	13,602,969	A	-	6,003,511	7,599,458	-
Certificates of Deposit	1,483,964	N/A	1,483,964	-	-	-
Totals	$ 59,841,683	N/A	$ 1,483,964	$ 21,132,091	$ 7,599,458	$ 29,626,170

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk (Continued)

Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The District had deposits with a bank balance of $180,815 as of June 30, 2016. Of the bank balances, up to $250,000 for 2016 is federally insured. Therefore, none of the District's deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts.

Concentration Risk

The District's portfolio contained no concentration of investments in any one entity that represents 5% or more of the total investment portfolio.

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application* in the current fiscal year. Statement No. 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. The District's investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are based on quoted prices for identical assets or liabilities in an active market that the District can access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available. This classification includes public equities and other fixed income securities with observable market prices.

Level 2: Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment speeds, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair values are determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the NAV per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is generally categorized as Level 2.

Level 3: Inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ significantly from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited partnership interests where there is an inability to redeem such investments at the NAV per share (or its equivalent) at the measurement date or in the near term.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Fair Value Measurements (Continued)

The table below shows the fair value leveling of the District's investments for the fiscal year ended June 30, 2016.

		Fair Value Measurement Using		
Investments by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	$ 15,128,580	$ 15,128,580	$ -	$ -
Money Market Mutual Funds	468,417	468,417	-	-
Corporate Bonds	13,602,969	13,602,969	-	-
Certificates of Deposit	1,483,964	1,483,964	-	-
Total Investments Measured at Fair Value	30,683,930	$ 30,683,930	$ -	$ -
Investments Measured at Amortized Cost				
County Investment Pool	29,157,753			
Total Pooled and Directed Investments	$ 59,841,683			

Investments that are measured at fair value using the net asset value per share (NAV or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In these instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Equity and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Equity and debt securities classified in Level 2 and Level 3 are using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, observable market based inputs and unobservable inputs (i.e. extrapolated data, proprietary models, and indicative quotes). Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Investment derivative instruments categorized as Level 2 and 3 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

NOTE 3 – RECEIVABLES

Accounts receivable included are due from grantor government receivable at June 30, 2016, consist of the following:

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Totals
Federal Government	$ 73,466	$ -	$ -	$ 73,466
State Government				
Lottery	69,091	-	-	69,091
Categorical Aid	46,100	-	-	46,100
Total State Government	115,191	-	-	115,191
Local				
Other	303,663	-	-	303,663
Interest	35,393	21,376	1,419	58,188
Total Local	339,056	21,376	1,419	361,851
Total	$ 527,713	$ 21,376	$ 1,419	$ 550,508

All receivables are considered collectible in full.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2016 were as follows:

Funds	Transfers In	Transfers Out
Major Fund:		
General Fund	$ 10,000,000	$ 10,662,307
Non-Major Fund:		
Cafeteria Fund	662,307	-
Totals	$ 10,662,307	$ 10,662,307

The transfer of $662,307 from the General Fund to the Cafeteria Fund was to cover operations.

The transfer of $10,000,000 from the Special Reserve Fund for other than Capital Outlay to the General Fund to meet cash flow needs.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, is shown below:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land	$ 390,884	$ -	$ -	$ 390,884
Construction in Progress	113,126	2,109,735	61,684	2,161,177
Total Capital Assets Not Being Depreciated	504,010	2,109,735	61,684	2,552,061
Capital Assets, Being Depreciated:				
Improvement of Sites	2,627,824	188,743	-	2,816,567
Buildings	17,371,132	99,314	-	17,470,446
Equipment	9,408,546	547,765	-	9,956,311
Total Capital Assets Being Depreciated	29,407,502	835,822	-	30,243,324
Less Accumulated Depreciation for:				
Improvement of Sites	(1,844,919)	(137,339)	-	(1,982,258)
Buildings	(6,618,312)	(332,573)	-	(6,950,885)
Equipment	(7,794,663)	(572,658)	-	(8,367,321)
Total Accumulated Depreciation	(16,257,894)	(1,042,570)	-	(17,300,464)
Total Capital Assets Being Depreciated, Net	13,149,608	(206,748)	-	12,942,860
Governmental Activities Capital Assets, Net	$ 13,653,618	$ 1,902,987	$ 61,684	$ 15,494,921

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 80,400
Instructional Library, Media, and Technology	41,625
Home-to-School Transportation	59,486
Food Services	20,654
Ancillary Services	61,501
All Other General Administration	4,928
Centralized Data Processing	3,147
Plant Services	768,572
Depreciation Unallocated	2,257
Total Depreciation Expense	$ 1,042,570

NOTE 6 – CHANGE IN LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016, was as follows:

Governmental Activities	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Compensated Absences	$ 87,810	$ 222,820	$ 203,800	$ 106,830	$ 106,830
Net Pension Liability (NPL)	13,080,672	3,759,284	-	16,839,956	-
OPEB	2,047,677	604,878	723,687	1,928,868	-
Total Governmental Activities	$ 15,216,159	$ 4,586,982	$ 927,487	$ 18,875,654	$ 106,830

NOTE 7 – JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in joint ventures under joint powers agreements (JPAs) with the Self Insured Schools of California (SISC) and Golden Empire School Financing Authority (GESFA). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

SISC – SISC arranges for and provides health (SISC III), workers' compensation (SISC I), and property and liability (SISC II) insurance for its member school districts in California. SISC is governed by a board consisting of representatives from member districts. The board controls the operations of SISC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SISC.

Condensed combined financial information of SISC, by type, for the most current year available is as follows:

	June 30, 2016		September 30, 2016
	SISC I	SISC II	SISC III
Total Assets	$ 87,325,754	$ 54,758,957	$ 344,609,638
Total Liabilities	58,957,872	33,220,060	147,784,306
Net Position	$ 28,367,882	$ 21,538,897	$ 196,825,332
Total Revenues	$ 27,330,487	$ 21,016,398	$ 1,642,782,008
Total Expenditures	21,009,923	23,329,164	1,591,548,088
Change in Net Position	$ 6,320,564	$ (2,312,766)	$ 51,233,920

The District's share of year-end assets, liabilities, or fund balance has not been calculated by SISC I or SISC II as of June 30, 2016, or by SISC III as of September 30, 2016. SISC I, II, and III issue separate annual financial statements. Copies may be obtained from the SISC office, 1300 17th Street – City Centre, Bakersfield, CA 93303.

NOTE 7 – JOINT VENTURES (JOINT POWERS AGREEMENTS) (Continued)

GESFA – GESFA is a JPA created on June 6, 1988, between the District and Kern High School District (KHSD) for the following purposes:

- financing public capital improvements and working capital requirements,
- operating public facilities, and
- providing miscellaneous services as approved by its Board of Directors.

The above activities can be entered into for the sole benefit of either the District or KHSD or both.

In connection with the above purposes, KHSD transferred certain attendance areas to the District and the District agreed to contribute to GESFA certain real property and lease back such real property from GESFA. Under this lease agreement, the District agrees, among other things, to make annual lease payments over a term of 30 years. The annual lease payment will be a specified portion of property taxes the District collects from the transferred attendance areas and this amount is further defined in the lease agreement as "Belridge Net Revenues." The size of the annual payment may fluctuate dramatically depending on the assessed value of oil, changes in the District's revenue, and other changes in the structure of school finance in California. Therefore, it is not possible to compute or estimate minimum future lease obligations.

The annual lease payment for the year ending June 30, 2016, amounted to $4,702,942.

Financial information for GESFA was not available at June 30, 2016.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Academic employees are members of the CalSTRS and classified employees are members of the CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reports its proportionate share of the net pension liabilities, pension expense, deferred inflow of resources, and deferred outflow of resources for each of the above plans as follows:

Pension Plans	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 11,445,080	$ 866,179	$ 1,124,210	$ 3,487,595
CalPERS	5,394,876	821,529	516,201	1,433,697
Total	$ 16,839,956	$ 1,687,708	$ 1,640,411	$ 4,921,292

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, 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 STRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.56%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	4.89%	4.89%

Contributions

Required member, District, and State contributions rates are set by the California Legislature and Governor and detailed in the State Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $866,179 less $504,849 recorded on behalf payments which resulted in a payment of $361,330.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

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

Total pension liability	$ 44,054,820
Less: fiduciary net position	32,609,740
Net pension liability of the District	$ 11,445,080

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.017 percent.

For the year ended June 30, 2016, the District recognized pension expense of $3,487,595. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 866,179	$ -
Difference between expected and actual experience	-	191,250
Difference between projected and actual earnings on pension plan investments	-	932,960
Total	866,179	1,124,210

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 281,053
2017	281,053
2018	281,053
2019	281,051
	$ 1,124,210

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California State Teachers' Retirement System (CalSTRS) (Continued)

Discount Rate (Continued)

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

Discount Rate	Amortization
1% decrease (6.60%)	$ 17,281,180
Current discount rate (7.60%)	$ 11,445,080
1% increase (8.60%)	$ 6,594,810

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	11.771%	11.440%

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were $513,204.

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

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

Total pension liability	$ 26,224,326
Less: Plan fiduciary net position	20,829,450
Net pension liability of the District plan	$ 5,394,876

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $5,394,876. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.036 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,433,697. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 513,204	$ -
Changes of assumptions	-	331,476
Difference between expected and actual experience	308,325	
Difference between projected and actual earnings on pension plan investments	-	184,725
Total	$ 821,529	$ 516,201

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ (143,396)
2017	(143,396)
2018	(142,597)
2019	221,513
	$ (207,876)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation assets	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

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

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

Discount Rate	Amortization
1% decrease (6.65%)	$ 8,780,610
Current discount rate (7.65%)	$ 5,394,876
1% increase (8.65%)	$ 2,579,412

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

The District's Retiree Health Insurance Program is a single-employer defined benefit post-employment healthcare plan administered by the Blue Cross Prudent Buyer Plan, Option 1-B medical plan, bundled with Medco prescription drug card plans, dental, vision, basic life insurance, and cancer insurance.

The District provides District-paid medical and prescription drug coverage for certificated employees hired prior to June 30, 1996, who retire on or after attaining age 55 with at least 15 years of service or hired between July 31, 1996, and June 30, 2009, who retire on or after attaining age 60 with at least 5 years of service. Coverage for retirees is until age 65 or 70, depending on date of hire, or until eligible for other health benefits, whichever occurs first.

The District provides District-paid medical and prescription drug coverage for classified employees hired prior to July 19, 1993, who retire on or after age 58 with at least 10 years of service (or age 50 with at least 30 years of service) or hired between July 20, 1993, and June 30, 2009, who retire on or after age 60 and 10 years of service. Coverage for retirees is until age 65.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Plan Description (Continued)

On June 30, 2016, 40 retirees met the eligibility requirements.

The major medical has a $100 deductible with a family maximum of $300.

There are no contributions required from eligible retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2015-16, the District's annual OPEB cost was $604,878. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, were as follows:

Annual required contribution	$ 632,356
Interest on net OPEB obligation	61,644
Adjustments to annual required contribution	(89,122)
Annual OPEB cost	604,878
Contributions made	(723,687)
Change in net OPEB obligation	(118,809)
Net OPEB obligation - beginning of year	2,047,677
Net OPEB obligation - end of year	$ 1,928,868

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2016	$ 604,878	$ 723,687	119.64%	$ 1,928,868
2015	604,878	322,854	53.38%	2,047,677
2014	604,878	399,425	66.03%	1,765,653

Funding Policy, Funded Status, and Funding Progress

The District's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2015-16, the District contributed $723,687 to the plan.

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $6,426,159, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $13,192,074 and the ratio of the unfunded actuarial accrued liability to covered payroll was 48.71 percent.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Funding Policy, Funded Status, and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the ARC of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Methods and Assumptions

Calculations 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 are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial study performed on July 1, 2013, uses a pooled rate method which is a projected unit credit method. The method takes into account those benefits that are expected to be earned in the future as well as those already accrued. The significant actuarial assumptions used to complete the contribution required include a discount rate of 4.0 percent compounded annually, healthcare trend rates ranging from 5.0 to 8.0 percent, and demographic information. The actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest were based on a standard set of actuarial assumptions modified as appropriate for the District. Retirement rates were also based on District experience. Healthcare inflation rates are based on actuarial analysis of recent District experience and actuarial knowledge of the general healthcare environment. The District's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period as of June 30, 2016, was 24 years.

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Major Funds (By Object)	
General Fund	
Other Outgo	$ 75,213

REQUIRED SUPPLEMENTARY INFORMATION

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Object) (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Local Control Funding Formula Sources	$ 26,145,612	$ 26,114,609	$ 26,100,545	$ (14,064)
Federal Revenues	85,000	159,063	159,063	-
Other State Revenues	234,412	951,757	951,757	-
Other Local Revenues	573,784	943,559	943,559	-
TOTAL REVENUES	27,038,808	28,168,988	28,154,924	(14,064)
EXPENDITURES				
Certificated Salaries	8,383,183	8,338,116	8,338,082	34
Classified Salaries	4,586,829	4,854,010	4,853,992	18
Employee Benefits	5,566,889	6,020,140	6,019,842	298
Books and Supplies	5,034,159	3,491,931	3,491,872	59
Services and Other Operating Expenditures	2,878,734	3,593,674	3,592,517	1,157
Capital Outlay	2,187,000	490,332	490,327	5
Other Outgo	7,870,000	4,910,449	4,985,662	(75,213)
TOTAL EXPENDITURES	36,506,794	31,698,652	31,772,294	(73,642)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,467,986)	(3,529,664)	(3,617,370)	(87,706)
OTHER FINANCING SOURCES (USES)				
Transfers In	11,036,000	-	10,000,000	10,000,000
Transfers Out	(11,186,000)	662,308	(10,662,307)	(11,324,615)
TOTAL OTHER FINANCING SOURCES (USES)	(150,000)	662,308	(662,307)	(1,324,615)
Net Change in Fund Balance	$ (9,617,986)	$ (2,867,356)	(4,279,677)	$ (1,412,321)
Fund Balance at Beginning of Year			31,312,372	
Fund Balance at End of Year			$ 27,032,695	

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2013	$ -	$ 6,426,159	$ 6,426,159	0.00%	$ 13,192,074	48.71%
7/1/2010	-	5,463,629	5,463,629	0.00%	12,238,972	44.64%
7/1/2007	-	4,138,331	4,138,331	0.00%	12,088,677	34.23%

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHOOLS COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015	June 30, 2014
District's proportion of the CalPERS' proportion of the net pension liability	0.0366%	0.0364%
District's proportionate share of the CalPERS' proportionate share of the net pension liability	$ 5,394,876	$ 4,133,194
District's covered-employee payroll	$ 4,333,405	$ 4,014,490
District's proportionate share of the CalPERS' proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.50%	102.96%
District's proportionate share of the fiduciary net position	$ 20,829,450	$ 20,730,844
District's proportionate share of total pension liability	$ 26,224,326	$ 24,864,037
District's proportionate share of the fiduciary net position as a percentage of the total pension liability	79.43%	83.38%

* This schedule is intended to show 10 years of information. Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

Notes to Schedule:

Benefit changes and changes in assumptions

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense. There were no benefit changes in the current year.

The information presented relates solely to the District and not CalPERS Schools Cost-Sharing Multiple-Employer Defined Benefit Plan as a whole.

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHOOLS COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015	June 30, 2014
Contractually Required Contribution (Actuarially Determined)	$ 477,342	$ 438,014
Contributions in Relation to the Actuarially Determined Contributions	477,342	438,014
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 4,333,405	$ 4,014,490
Contributions as a Percentage of Covered-Employee Payroll	11.02%	10.91%

* This schedule is intended to show 10 years of information. Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

The information presented relates solely to the District and not CalPERS Schools Cost-Sharing Multiple-Employer Defined Benefit Plan as a whole.

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015	June 30, 2014
District's proportion of the CalSTRS' proportion of the net pension liability	0.0170%	0.0153%
District's proportionate share of the CalSTRS' proportionate share of the net pension liability	$ 11,445,080	$ 8,947,478
District's covered-employee payroll	$ 8,072,495	$ 8,233,324
District's proportionate share of the CalSTRS' proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.78%	108.67%
District's proportionate share of the fiduciary net position	$ 32,609,740	$ 29,164,091
District's proportionate share of total pension liability	$ 44,054,820	$ 38,111,569
District's proportionate share of the fiduciary net position as a percentage of the total pension liability	74.02%	76.52%

* This schedule is intended to show 10 years of information. Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

Notes to Schedule:

Benefit changes and changes in assumptions

In 2016, there were no changes in assumptions or benefit changes in the current year, as the beginning and end of year total pension liability are both based on the same actuarial valuation. There was no difference between expected and actual experience this year.

The information presented relates solely to the District and not CalSTRS Cost-Sharing Multiple-Employer Defined Benefit Plan as a whole.

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015	June 30, 2014
Contractually Required Contribution (Actuarially Determined)	$ 731,963	$ 559,782
Contributions in Relation to the Actuarially Determined Contributions	731,963	559,782
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 8,072,495	$ 8,233,324
Contributions as a Percentage of Covered-Employee Payroll	9.07%	6.80%

* This schedule is intended to show 10 years of information. Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

The information presented relates solely to the District and not CalSTRS Cost-Sharing Multiple-Employer Defined Benefit Plan as a whole.

SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Governmental Funds
ASSETS			
Cash in Kern County Treasury	$ 53,308	$ 1,000,788	$ 1,054,096
Cash in Revolving Fund	-	456	456
Accounts Receivable	111	1,308	1,419
Stores Inventory	-	30,117	30,117
TOTAL ASSETS	$ 53,419	$ 1,032,669	$ 1,086,088
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ -	$ 7,016	$ 7,016
TOTAL LIABILITIES	-	7,016	7,016
FUND BALANCES			
Nonspendable			
Revolving Cash	-	456	456
Stores Inventory	-	30,117	30,117
Restricted	-	995,080	995,080
Assigned	53,419	-	53,419
TOTAL FUND BALANCES	53,419	1,025,653	1,079,072
TOTAL LIABILITIES AND FUND BALANCES	$ 53,419	$ 1,032,669	$ 1,086,088

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2016

	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Governmental Funds
REVENUES			
Other Local Revenues	$ 371	$ 67,309	$ 67,680
TOTAL REVENUES	371	67,309	67,680
EXPENDITURES			
Classified Salaries	-	369,252	369,252
Employee Benefits	-	271,308	271,308
Books and Supplies	-	594,519	594,519
Services and Other Operating Expenditures	-	106,744	106,744
Capital Outlay	-	24,746	24,746
TOTAL EXPENDITURES	-	1,366,569	1,366,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	371	(1,299,260)	(1,298,889)
OTHER FINANCING SOURCES			
Transfers In	-	662,307	662,307
TOTAL OTHER FINANCING SOURCES	-	662,307	662,307
Net Change in Fund Balances	371	(636,953)	(636,582)
Fund Balances at Beginning of Year	53,048	1,662,606	1,715,654
Fund Balances at End of Year	$ 53,419	$ 1,025,653	$ 1,079,072

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT) FOR THE YEAR ENDED JUNE 30, 2016

	Deferred Maintenance Fund			Cafeteria Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other Local Revenues	$ 371	$ 371	$ -	$ 67,328	$ 67,309	$ (19)
TOTAL REVENUES	371	371	-	67,328	67,309	(19)
EXPENDITURES						
Classified Salaries	-	-	-	369,252	369,252	-
Employee Benefits	-	-	-	271,313	271,308	5
Books and Supplies	-	-	-	594,519	594,519	-
Services and Other Operating Expenditures	-	-	-	106,744	106,744	-
Capital Outlay	-	-	-	24,746	24,746	-
TOTAL EXPENDITURES	-	-	-	1,366,574	1,366,569	5
Excess (Deficiency) of Revenues Over (Under) Expenditures	371	371	-	(1,299,246)	(1,299,260)	(14)
OTHER FINANCING SOURCES						
Transfers In	-	-	-	662,307	662,307	-
TOTAL OTHER FINANCING SOURCES	-	-	-	662,307	662,307	-
Net Change in Fund Balances	$ 371	371	$ -	$ (636,939)	(636,953)	$ (14)
Fund Balances at Beginning of Year		53,048			1,662,606	
Fund Balances at End of Year		$ 53,419			$ 1,025,653	

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2016

	Totals		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Other Local Revenues	$ 67,699	$ 67,680	$ (19)
TOTAL REVENUES	67,699	67,680	(19)
EXPENDITURES			
Classified Salaries	369,252	369,252	-
Employee Benefits	271,313	271,308	5
Books and Supplies	594,519	594,519	-
Services and Other Operating Expenditures	106,744	106,744	-
Capital Outlay	24,746	24,746	-
TOTAL EXPENDITURES	1,366,574	1,366,569	5
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,298,875)	(1,298,889)	(14)
OTHER FINANCING SOURCES			
Transfers In	662,307	662,307	-
TOTAL OTHER FINANCING SOURCES	662,307	662,307	-
Net Change in Fund Balances	$ (636,568)	(636,582)	$ (14)
Fund Balances at Beginning of Year		1,715,654	
Fund Balances at End of Year		$ 1,079,072	

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash on Hand and in Banks	$ 321,088	$ 326,387	$ 378,554	$ 268,921
Liabilities				
Due to Student Groups	$ 321,088	$ 326,387	$ 378,554	$ 268,921

TAFT UNION HIGH SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2016

The Taft Union High School District has been in operation since 1911. The Taft Union High School District operates one high school and serves approximately 950 students on the west side of Kern County and draws from five rural elementary school districts – Elk Hills, Midway, McKittrick, Belridge, and Taft City School Districts – covering an area of 362 square miles. The Board of Trustees of the Taft Union High School District for the year ended June 30, 2016, was comprised of the following members:

Name	Office	Term Expires
Tom White	President	December 2016
George Harmer	Clerk	December 2016
Paul Linder	Member	December 2018
Rick Twisselman III	Member	December 2018
Julie Ortlieb	Member	December 2018

Superintendent
Board Secretary
Blanca Cavazos

Business Manager
Chuck Hagstrom

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report	Annual Report
Regular	889	878
Continuation Education	48	48
Opportunity Schools and Full-Day Opportunity Classes	11	12
Home and Hospital	1	2
Special Education	23	25
	972	965

Summer School

	Hours of Attendance
High School	52,409

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minimum Minutes Requirements	1986-87* Actual Minutes Reduced	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	60,480	68,580	180	N/A	Complied
Grade 10	64,800	60,480	68,580	180	N/A	Complied
Grade 11	64,800	60,480	68,580	180	N/A	Complied
Grade 12	64,800	60,480	68,580	180	N/A	Complied

* Districts, including basic aid districts, must maintain their instructional minutes at the minimum number of minutes requirement as per Education Code Sections 46201.2 and 46207. Section 46207 allows districts that have equaled or exceeded their local control funding formula (LCFF) target to reduce the equivalent of up to 5 days of instruction or the equivalent number of instructional minutes without incurring penalties as set forth in that section.

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund	(Budget) 2017 [1]	2016	2015	2014
Revenues and Other Financing Sources	$ 27,883,075	$ 38,154,924	$ 49,699,228	$ 26,845,932
Expenditures	27,191,049	31,772,294	29,105,158	32,766,085
Other Uses and Transfers Out	1,306,986	10,662,307	24,985,999	1,637,820
Total Outgo	28,498,035	42,434,601	54,091,157	34,403,905
Change in Fund Balance	(614,960)	(4,279,677)	(4,391,929)	(7,557,973)
Ending Fund Balance	$ 26,417,735	$ 27,032,695	$ 31,312,372	$ 35,704,301
Available Reserves	$ 1,896,856	$ 1,710,029	$ 434,340	$ 16,151,349
Designated for Economic Uncertainties and Other Designations	$ 1,896,856	$ 1,710,029	$ 434,340	$ 16,151,349
Available Reserves as a Percentage [2] of Total Outgo	6.7%	4.0%	0.8%	46.9%
Total Long-Term Debt [3]	$ 18,875,654	$ 18,875,654	$ 15,216,159	$ 18,202,690
Average Daily Attendance at P-2	988	972	989	977

The General Fund balance has decreased by $8,671,606 over the past two years. The fiscal year 2016-17 budget projects a decrease of $614,960 (2.3%). For a district this size, and the District is in compliance, the State of California recommends available reserves of at least 4 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit in the 2015-16 fiscal year. The District anticipates having an operating deficit again for the 2016-17 fiscal year.

Average daily attendance (ADA) has decreased by 5 over the past two years. An increase of 16 ADA is anticipated during fiscal year 2016-17.

[1] Budget 2017 is included for analytical purposes only and has not been subject to an audit.

[2] Available reserves (funds designated for economic uncertainty and any Article XIII-B Trust Funds).

[3] Includes net pension liabilities for 2015 and 2016. The long-term debt obligation has been restated for 2014 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68.

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS REPORT) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	Schedule of Long-Term Debt	Special Reserve Fund for Other than Capital Outlay	Special Reserve for Post-Employment Benefits Fund	General Fund
June 30, 2016, Annual Financial and Budget Report (SACS Report) Balance	$ 106,830	$ 710,813	$ 13,396,141	$ 12,925,741
Adjustments and Reclassifications:				
Increasing (Decreasing) the Balance:				
Incorporate the Special Reserve Fund for Other than Capital Outlay and the Special Reserve for Post-Employment Benefits Fund to comply with GASB Statement No. 54	-	(710,813)	(13,396,141)	14,106,954
Removal of assets purchased in fiscal year 2016 but placed in service in fiscal year 2016	-	-	-	-
Net OPEB Obligation - beginning balance	2,047,677	-	-	-
OPEB cost less the premiums paid	(118,809)	-	-	-
Net Pension Liability not included	16,839,956	-	-	-
June 30, 2016, Audited Financial Statement Balance	$ 18,875,654	$ -	$ -	$ 27,032,695

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

A. Local Education Agency Organization Structure

This schedule provides information about the Taft Union High School District's (the District) boundaries and schools operated, members of the governing board, and members of administration.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule provides information on the amounts of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46208.

The District met its Local Control Funding Formula target funding.

D. Schedule of Financial Trends and Analysis

This schedule provides the General Fund financial data for the last three years and the current year's budgeted amounts. The financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. Reconciliation of Annual Financial and Budget Report (SACS Report) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Report to the audited financial statements.

OTHER REPORTS

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BROWN ARMSTRONG
Certified Public Accountants

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

Board of Trustees
Taft Union High School District
Taft, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taft Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 12, 2016

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Taft Union High School District
Taft, California

Report of the Financial Statements

We have audited the Taft Union High School District's (the District) compliance with the applicable requirements identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Compliance with the applicable requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance 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; the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the procedures performed as described below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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

Description	Procedures Performed
Local Education Agencies other than Charter Schools:	
Attendance Accounting:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	N/A
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	N/A*
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Funding Formula Certification	Yes
Independent Study-Course Based	N/A
Immunizations	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes – Classroom Based	N/A
Charter School Facility Grant Program	N/A

* No procedures were performed as the District did not have any expenditures in fiscal year 2016.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 12, 2016

FINDINGS AND QUESTIONED COSTS SECTION

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

I. Summary of Auditor's Results

Financial Statements

(a) Type of auditor's report issued:	Unmodified.
(b) Internal control over financial reporting:	
• Material weaknesses identified?	None.
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported.
(c) Noncompliance material to financial statements noted?	None.

Federal Awards

Not applicable in the current year.

State Awards

Internal control over state programs:

• Material weakness identified?	None.
• Significant deficiencies identified are not considered to be material weaknesses?	None Reported.
Type of auditor's report issued on compliance for state programs:	Unmodified.

II. Findings Relating to Financial Statements Required Under GAGAS

None.

Status of Prior Year Findings and Recommendations

None.

III. Findings and Questioned Costs for Federal Awards

Not applicable in the current year.

Status of Prior Year Findings and Recommendations

None.

IV. Findings Related to Financial Statements Required Under the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*

None.

Status of Prior Year Findings and Recommendations

None.