

**TAFT UNION HIGH SCHOOL DISTRICT
COUNTY OF KERN
TAFT, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Taft Union High School District
Audit Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Fiduciary Net Position - Fiduciary Funds.....	18
Notes to the Financial Statements	19
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedules:	
General Fund.....	43
Schedule of the District's Proportionate Share of the	
Net Pension Liability - California State Teachers Retirement System.....	44
Schedule of District's Contributions - California State Teachers Retirement System.....	45
Schedule of the District's Proportionate Share of the	
Net Pension Liability - California Public Employees Retirement System.....	46
Schedule of District's Contributions - California Public Employees Retirement System...	47
Schedule of the District's Proportionate Share of the	
Net OPEB Liability - Retiree Benefit Plan.....	48
Schedule of District's Contributions - Retiree Benefit Plan.....	49
Schedule of Changes in the District's Total OPEB Liability	
And Related Ratios - Retiree Benefit Plan	50
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>	
Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	51
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances - Nonmajor Special Revenue Funds.....	52
Budgetary Comparison Schedules:	
Cafeteria Fund.....	53
Deferred Maintenance Fund.....	54

Taft Union High School District
Audit Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Capital Projects Funds:	
Budgetary Comparison Schedule:	
Special Reserve Fund for Capital Outlay Projects.....	55
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities.....	56
 OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Education Agency Organization Structure.....	57
Schedule of Average Daily Attendance.....	58
Schedule of Instructional Time.....	59
Schedule of Financial Trends and Analysis.....	60
Reconciliation of Annual Financial and Budget Report	
With Audited Financial Statements.....	61
Schedule of Charter Schools.....	62
Notes to Supplementary Information.....	63
Report on Internal Control over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of Financial Statements Performed	
in Accordance with <i>Government Auditing Standards</i>	64
Independent Auditor's Report on State Compliance.....	66
Schedule of Findings and Questioned Costs	69
Summary Schedule of Prior Audit Findings.....	71

Financial Section



Independent Auditor's Report

To the 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taft Union High School District as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Taft Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion labeled "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019 on our consideration of Taft Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taft Union High School District's internal control over financial reporting and compliance.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
February 15, 2019

**TAFT UNION HIGH SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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, deficit spending occurred during the 2017-18 fiscal year and may continue for the next few years. In addition, changes in school finances may also greatly change the current outlook over the course of the next few years.
- ◆ Overall revenues for all governmental activities were \$27,794,213 which is \$2,888,562 less than expenditures totaling \$30,682,775.
- ◆ Long-term debt has increased by \$2,122,781 over the year, primarily due to the implementation of GASB Statement No. 68 in fiscal year 2015 offset by the implementation of GASB Statement No. 75 in fiscal year 2018.

Overview of Financial Statements

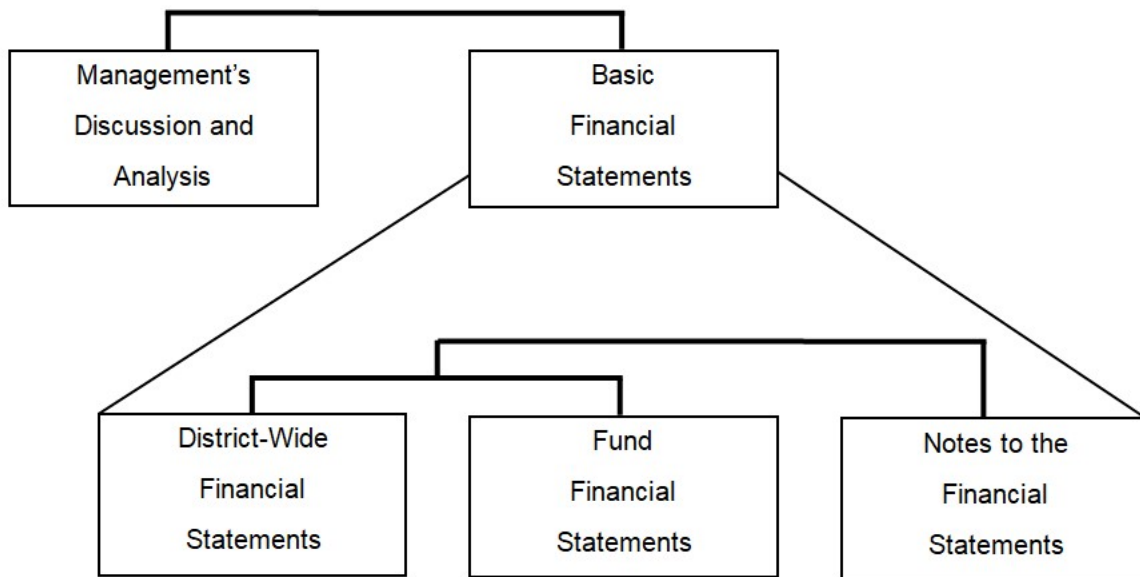
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

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 funds statements tell how basic services, like regular and special education, were financed in the short term.
- ◆ 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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two district-wide statements report the District's net position. Net position – the difference between the District's assets and liabilities – 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.

Net Position: The District's combined net position was \$39,775,489 at June 30, 2018. The District's net position, as restated, decreased by 9.2% or \$4,053,195 over 2017. 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, 2018, and the changes over 2017.

Table A-1 Taft Union High School District Statement of Net Position				
	6/30/2018	6/30/2017	Dollar Change	Percent Change
Assets				
Current and Other Assets	\$ 55,407,406	\$ 57,865,186	\$ (2,457,780)	-4.2%
Capital Assets	17,782,775	15,389,178	2,393,597	15.6%
Total Assets	73,190,181	73,254,364	(64,183)	-0.1%
Deferred Outflows of Resources	2,469,309	3,688,758	(1,219,449)	-33.1%
Liabilities				
Long-Term Liabilities	31,388,152	29,265,371	2,122,781	7.3%
Other Liabilities	3,750,849	3,320,066	430,783	13.0%
Total Liabilities	35,139,001	32,585,437	2,553,564	7.8%
Deferred Inflows of Resources	745,000	529,000	216,000	40.8%
Net Position				
Net Investment In Capital Assets	17,391,891	14,998,294	2,393,597	16.0%
Restricted	46,886,138	47,973,734	(1,087,596)	-2.3%
Unrestricted	(24,502,540)	(19,143,344)	(5,359,196)	28.0%
Total Net Position	\$ 39,775,489	\$ 43,828,684	\$ (4,053,195)	-9.2%

Changes in Net Position. Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for 2017-18 and the end of the year net position. Property taxes account for most of the District's revenue. The next largest revenue source is from operating grants and contributions, 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 54.2% 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				
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Net Position Beginning Balance	\$ 43,828,684	\$52,895,465	\$ (9,066,781)	-17.1%
Revenue				
General Revenues	28,461,220	28,717,696	(256,476)	-0.9%
Operating Grants & Contributions	730,889	1,602,012	(871,123)	-54.4%
Charges for Services	76,104	77,700	(1,596)	-2.1%
Total Revenue	<u>29,268,213</u>	<u>30,397,408</u>	<u>(1,129,195)</u>	<u>-3.7%</u>
Expenses				
Instruction	15,408,084	21,398,951	(5,990,867)	-28.0%
Instruction-Related Services	2,678,978	3,235,465	(556,487)	-17.2%
Pupil Services	4,890,107	5,021,003	(130,896)	-2.6%
Ancillary Services	1,040,996	1,161,820	(120,824)	-10.4%
General Administration	2,861,118	3,783,331	(922,213)	-24.4%
Plant Services	4,911,208	5,111,400	(200,192)	-3.9%
Other Outgo	1,530,917	2,115,118	(584,201)	-27.6%
Total Expenses	<u>33,321,408</u>	<u>41,827,088</u>	<u>(8,505,680)</u>	<u>-20.3%</u>
Change in Net Position	(4,053,195)	(11,429,680)	7,376,485	-64.5%
Prior Period Adjustment	<u>-</u>	<u>2,362,899</u>	<u>(2,362,899)</u>	<u>-100.0%</u>
End of Year Net Position	<u>\$ 39,775,489</u>	<u>\$43,828,684</u>	<u>\$ (4,053,195)</u>	<u>-9.2%</u>

Figure A-2 – Revenue by Source for 2017-18

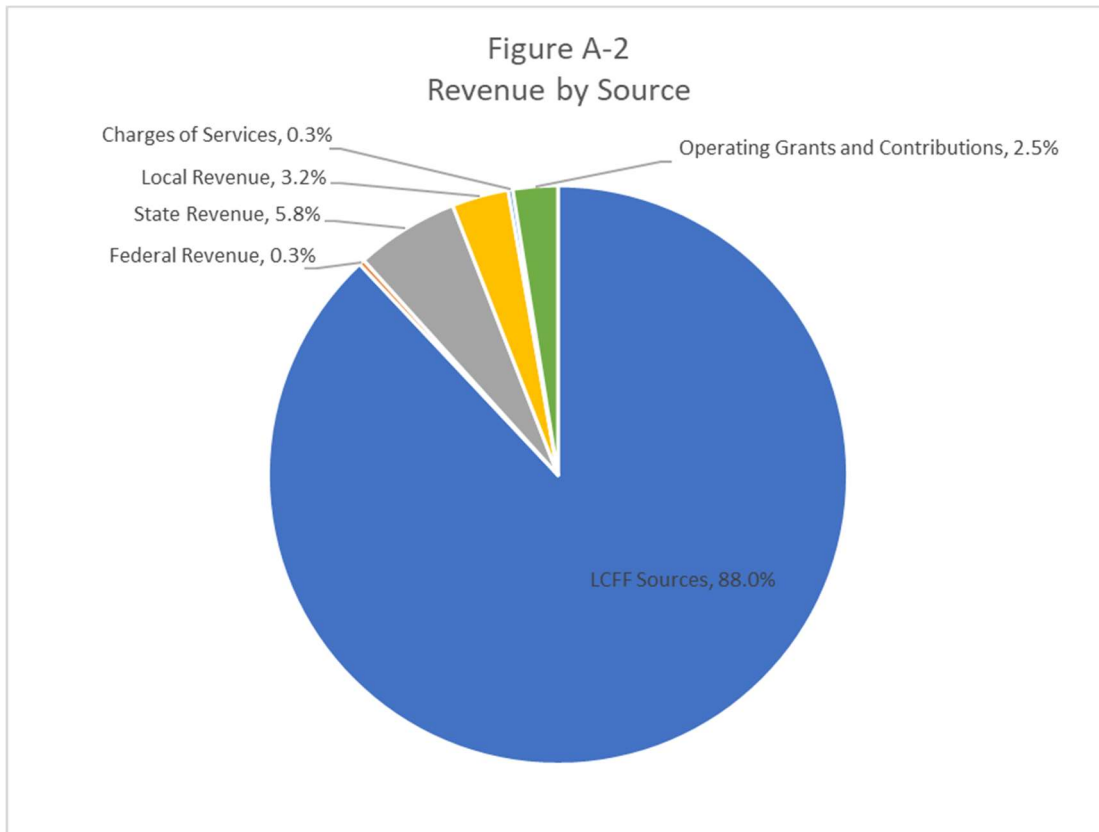


Figure A-3 – Expenses by Function for 2017-18

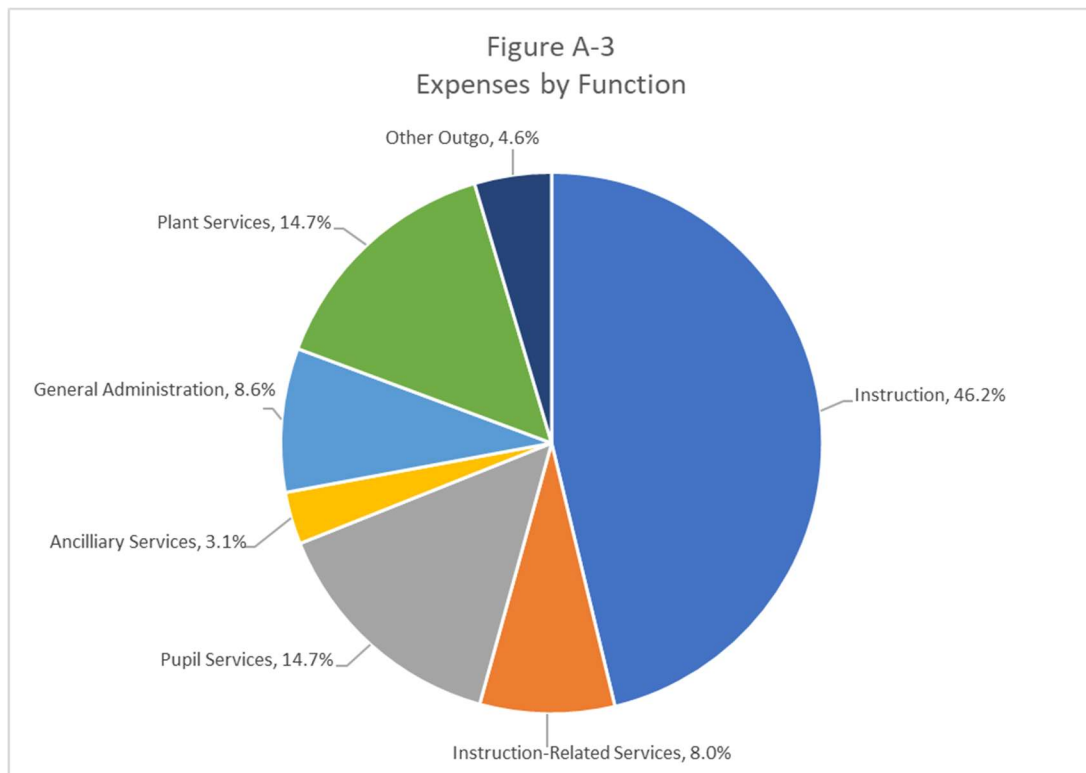


Table A-3 presents the cost of major District activities: Instruction and Instruction-Related Services, Pupil Services, Ancillary Services, General Administration, Plant Services, and Other Outgo. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental and Federal aid provided for specific programs). The net cost shows the financial burden placed upon the District's general revenues, in essence, the District's and State's taxpayers.

Table A-3 Taft Union High School District Statement of Activities			
	Total Cost of Services	Net Cost of Services	Difference
Government Activities			
Instruction	\$ 15,408,084	\$ (15,055,045)	\$ 353,039
Instruction-Related Services	2,678,978	(2,620,239)	58,739
Pupil Services	4,890,107	(4,760,026)	130,081
Ancillary Services	1,040,996	(1,018,120)	22,876
General Administration	2,861,118	(2,800,266)	60,852
Plant Services	4,911,208	(4,729,802)	181,406
Other Outgo	1,530,917	(1,530,917)	-
Total Expenses	\$ 33,321,408	\$ (32,514,415)	\$ 806,993

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 \$51,656,557. Average Daily Attendance (ADA) is expected to increase slightly in fiscal year 2018-19. 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 and Long Term Debt:

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 \$17,782,775.

Table A-4 Taft Union High School District Capital Assets				
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 454,494	\$ 390,884	\$ 63,610	0.41%
Land Improvements, Net	683,255	736,134	(52,879)	-0.34%
Buildings, Net	11,683,276	12,208,922	(525,646)	-3.42%
Equipment, Net	1,586,825	1,885,904	(299,079)	-1.94%
Work in Progress	3,374,925	167,334	3,207,591	20.84%
Total Assets	<u>\$ 17,782,775</u>	<u>\$ 15,389,178</u>	<u>\$ 2,393,597</u>	<u>15.55%</u>

Long-Term Debt

At year-end, the District had \$7,852,972 outstanding in other Post-Employment Benefits other than pension benefits (OPEB), \$121,180 outstanding in compensated absences, and \$23,414,000 in net pension liability, as shown in Table A-5.

Table A-5 Taft Union High School District Outstanding Long-Term Debt				
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Net Pension Liability	\$23,414,000	\$20,030,000	\$ 3,384,000	11.56%
Net OPEB Obligation	7,852,972	9,136,539	(1,283,567)	-4.39%
Compensated Absences	121,180	98,832	22,348	0.08%
Total Assets	<u>\$31,388,152</u>	<u>\$29,265,371</u>	<u>\$ 2,122,781</u>	<u>7.25%</u>

Factors bearing on the District's Future

The current fiscal condition of the State's budget deficit continues to affect the District's funding. The District must continue to employ a very conservative fiscal strategy in 2018-19 budget year appropriations in order to be able to continue to meet its current and future needs. The District currently has a 4.3% reserve, which is 0.3% 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 Josh Bryant, Chief Business Officer, Taft Union High School District, Business Services Department, 701 Wildcat Way, Taft, California 93268.

Basic Financial Statements

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 24,963,945
Cash on Hand and in Banks	70,824
Cash in Revolving Fund	75,456
Investments	29,879,695
Accounts Receivable	387,796
Stores Inventories	29,690
Capital Assets:	
Land	454,494
Land Improvements, Net	683,255
Buildings, Net	11,683,276
Equipment, Net	1,586,825
Work in Progress	3,374,925
Total Assets	<u>73,190,181</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Expenses	2,469,309
Total Deferred Outflows of Resources	<u>2,469,309</u>
LIABILITIES:	
Accounts Payable	3,413,696
Unearned Revenue	337,153
Noncurrent Liabilities:	
Net Pension Liability	23,414,000
Other Postemployment Benefit Obligation	7,852,972
Due within one year	121,180
Total Liabilities	<u>35,139,001</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenues	745,000
Total Deferred Inflows of Resources	<u>745,000</u>
NET POSITION:	
Net Investment in Capital Assets	17,391,891
Restricted For:	
Capital Projects	26,610,862
Other Purposes	20,275,276
Unrestricted	(24,502,540)
Total Net Position	<u>\$ 39,775,489</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	\$ 15,408,084	\$ 11,275	\$ 341,764	\$ (15,055,045)
Instruction-Related Services	2,678,978	1,876	56,863	(2,620,239)
Pupil Services	4,890,107	51,145	78,936	(4,760,026)
Ancillary Services	1,040,996	730	22,146	(1,018,120)
General Administration	2,861,118	1,943	58,909	(2,800,266)
Plant Services	4,911,208	9,135	172,271	(4,729,802)
Other Outgo	1,530,917	--	--	(1,530,917)
Total Governmental Activities	33,321,408	76,104	730,889	(32,514,415)
Total Primary Government	\$ 33,321,408	\$ 76,104	\$ 730,889	(32,514,415)
General Revenues:				
LCFF Sources				25,754,033
Federal Revenues				93,129
State Revenues				1,689,057
Local Revenues				925,001
Total General Revenues				28,461,220
Change in Net Position				(4,053,195)
Net Position - Beginning				43,828,684
Net Position - Ending				\$ 39,775,489

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Outlay Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 14,571,800	\$ 10,262,795	\$ 129,350	\$ 24,963,945
Cash on Hand and in Banks	62,233	--	8,591	70,824
Cash in Revolving Fund	75,000	--	456	75,456
Investments	12,201,619	17,678,076	--	29,879,695
Accounts Receivable	338,217	43,118	6,461	387,796
Due from Other Funds	1,373,127	--	--	1,373,127
Stores Inventories	--	--	29,690	29,690
Total Assets	<u>28,621,996</u>	<u>27,983,989</u>	<u>174,548</u>	<u>56,780,533</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 3,404,080	\$ --	\$ 9,616	\$ 3,413,696
Due to Other Funds	--	1,373,127	--	1,373,127
Unearned Revenue	337,153	--	--	337,153
Total Liabilities	<u>3,741,233</u>	<u>1,373,127</u>	<u>9,616</u>	<u>5,123,976</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	75,000	--	9,047	84,047
Stores Inventories	--	--	29,690	29,690
Restricted Fund Balances	203,869	--	71,407	275,276
Committed Fund Balances	5,100,000	--	--	5,100,000
Assigned Fund Balances	18,271,264	26,610,862	54,788	44,936,914
Unassigned:				
Reserve for Economic Uncertainty	1,230,630	--	--	1,230,630
Total Fund Balance	<u>24,880,763</u>	<u>26,610,862</u>	<u>164,932</u>	<u>51,656,557</u>
Total Liabilities and Fund Balances	<u>\$ 28,621,996</u>	<u>\$ 27,983,989</u>	<u>\$ 174,548</u>	<u>\$ 56,780,533</u>

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet	\$ 51,656,557
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	17,782,775
Payables for compensated absences which are not due in the current period are not reported in the funds.	(121,180)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(23,414,000)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(745,000)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	1,931,788
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,852,972)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.	537,521
Net position of governmental activities - Statement of Net Position	\$ <u>39,775,489</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Outlay Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 6,597,034	\$ --	\$ --	\$ 6,597,034
Education Protection Account Funds	6,703,547	--	--	6,703,547
Local Sources	12,453,452	--	--	12,453,452
Federal Revenue	274,997	--	--	274,997
Other State Revenue	764,078	--	--	764,078
Other Local Revenue	932,940	10,255	57,910	1,001,105
Total Revenues	<u>27,726,048</u>	<u>10,255</u>	<u>57,910</u>	<u>27,794,213</u>
Expenditures:				
Current:				
Instruction	12,065,610	--	--	12,065,610
Instruction - Related Services	2,285,561	--	--	2,285,561
Pupil Services	3,170,399	--	1,231,928	4,402,327
Ancillary Services	853,355	--	--	853,355
General Administration	2,364,510	--	--	2,364,510
Plant Services	3,874,673	--	87,677	3,962,350
Other Outgo	1,530,917	--	--	1,530,917
Capital Outlay	3,218,145	--	--	3,218,145
Total Expenditures	<u>29,363,170</u>	<u>--</u>	<u>1,319,605</u>	<u>30,682,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,637,122)</u>	<u>10,255</u>	<u>(1,261,695)</u>	<u>(2,888,562)</u>
Other Financing Sources (Uses):				
Transfers In	1,898,127	--	921,276	2,819,403
Transfers Out	(1,446,276)	(1,373,127)	--	(2,819,403)
Total Other Financing Sources (Uses)	<u>451,851</u>	<u>(1,373,127)</u>	<u>921,276</u>	<u>--</u>
Net Change in Fund Balance	(1,185,271)	(1,362,872)	(340,419)	(2,888,562)
Fund Balance, July 1	26,066,034	27,973,734	505,351	54,545,119
Fund Balance, June 30	<u>\$ 24,880,763</u>	<u>\$ 26,610,862</u>	<u>\$ 164,932</u>	<u>\$ 51,656,557</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (2,888,562)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	3,434,838
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,041,241)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(22,348)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,474,000
The District's share of the unrecognized deferred inflows and outflows for pension plans was amortized.	(1,972,970)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,858,000)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	537,521
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>1,283,567</u>

Change in net position of governmental activities - Statement of Activities \$ (4,053,195)

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Funds
ASSETS:	
Cash in County Treasury	\$ 4,627,828
Cash on Hand and in Banks	147,907
Total Assets	<u>4,775,735</u>
LIABILITIES:	
Due to Student Groups/Other Agencies	\$ 4,775,735
Total Liabilities	<u>4,775,735</u>
NET POSITION:	
Total Net Position	<u>\$ --</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The District reports the following major governmental funds:

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

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (Education Code section 42840).

The District reports the following non-major governmental funds:

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

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code sections 17582-17587).

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Accounts receivable as of June 30, 2018, consist of the following:

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total
LCFF Sources	\$ --	\$ --	\$ --	\$ --
Federal Government	236,515	--	--	236,515
Other State Revenue	--	--	--	--
Other Local Revenue	101,702	43,118	6,461	151,281
Totals	<u>\$ 338,217</u>	<u>\$ 43,118</u>	<u>\$ 6,461</u>	<u>\$ 387,796</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

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.

f. 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.

g. Interfund Activity

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

h. Property Taxes

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

5. Deferred Inflows and Deferred Outflows of Resources

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

Deferred Outflows and Deferred Inflows of Resources as of June 30, 2018, consist of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CalSTRS	\$ 1,204,604	\$ 640,000
CalPERS	727,184	105,000
OPEB	537,521	--
Totals	<u>\$ 2,469,309</u>	<u>\$ 745,000</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

6. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

7. Pensions

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

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

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

8. Use of Estimates

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

9. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Change in Accounting Policies

The District has adopted accounting policies compliant with a new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. This newly implemented pronouncement is as follows:

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This statement replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" for OPEB.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement.

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

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
2. Reporting amounts previously reported as goodwill and "negative" goodwill;
3. Classifying real estate held by insurance entities;
4. Measuring certain money market investments and participating interest-earning investments contracts at amortized cost;
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
7. Presenting payroll-related measures in required supplementary information for the purpose of reporting by OPEB plans and employers that provide OPEB;

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

8. Classifying employer-paid member contributions for OPEB;
9. Simplifying certain aspects of the alternative measurement method for OPEB;
10. Accounting and financial reporting for OPEB provided through certain multiple employer defined benefit OPEB plans.

GASB Statement No. 86 - Certain Debt Issuance Costs

The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and on the notes to financial statements for debt that is defeased in substance.

11. New Accounting Pronouncements

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

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

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

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Services and other operating expenditures	\$ (351,834)
Cafeteria Fund:	
Classified Salaries	(2,850)
Employee Benefits	(54,916)
Books and Supplies	(7,441)
Services and other operating expenditures	(52,297)

General fund: The District incurred unanticipated expenditures for Services and other operating expenditures.

Cafeteria fund: The District incurred unanticipated expenditures for inflationary salary increases and contract services.

C. Cash and Investments

Cash, deposits, and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

<u>Statement of Net Position</u>	<u>June 30, 2018</u>
Cash in County Treasury	\$ 24,963,945
Cash on Hand and in Bank	70,824
Cash in Revolving Fund	75,456
Investments	29,879,695
Total Government Funds	<u>\$ 54,989,920</u>
 <u>Statement of Fiduciary Net Position</u>	
Cash in County Treasury	\$ 4,627,828
Cash in Banks	147,907
Total Fiduciary Funds	<u>\$ 4,775,735</u>
 <u>Total District Cash, Deposits, & Investments</u>	<u><u>\$ 59,765,655</u></u>

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool (\$24,963,945 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$24,963,945. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$70,824 as of June 30, 2018) and in the revolving fund (\$75,456) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. Investments:

The District's investments at June 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Money Market Account	\$ 329,137
Fixed Income Securities	29,550,558
Total Investments	<u>\$ 29,879,695</u>

4. Investment Accounting Policy

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

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 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.

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year-End</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Money Market Mutal Funds	\$ 329,137	\$ --	\$ --	\$ --	\$ 329,137
US Government Securities	17,803,014	--	17,803,014	--	--
Corporate Bonds*	9,427,738	488,755	1,831,550	7,107,433	--
Certificates of Deposit **	2,319,807	--	--	--	2,319,807
Totals	<u>\$ 29,879,696</u>	<u>\$ 488,755</u>	<u>\$ 19,634,564</u>	<u>\$ 7,107,433</u>	<u>\$ 2,648,944</u>

*Corporate Bonds have a Minimum Legal Rating of "A." All other investment types are Not Applicable.

** Certificates of Deposit are exempt from disclosure.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Mutal Funds	\$ 329,137	\$ 329,137	\$ --	\$ --	\$ --
US Government Securities	17,803,014	249,503	7,951,762	9,601,749	--
Corporate Bonds	9,427,738	--	492,605	8,935,133	--
Certificates of Deposit	2,319,807	--	241,107	2,078,700	--
Totals	<u>\$ 29,879,696</u>	<u>\$ 578,640</u>	<u>\$ 8,685,474</u>	<u>\$ 20,615,582</u>	<u>\$ --</u>

e. Foreign Currency Risk

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 390,884	\$ 63,610	\$ --	\$ 454,494
Work in progress	167,334	3,207,591	--	3,374,925
Total capital assets not being depreciated	558,218	3,271,201	--	3,829,419
Capital assets being depreciated:				
Buildings	19,535,661	--	--	19,535,661
Improvements	2,820,035	8,894	--	2,828,929
Equipment	10,478,096	154,743	--	10,632,839
Total capital assets being depreciated	32,833,792	163,637	--	32,997,429
Less accumulated depreciation for:				
Buildings	(7,326,739)	--	(525,646)	(7,852,385)
Improvements	(2,083,901)	--	(61,773)	(2,145,674)
Equipment	(8,592,192)	--	(453,822)	(9,046,014)
Total accumulated depreciation	(18,002,832)	--	(1,041,241)	(19,044,073)
Total capital assets being depreciated, net	14,830,960	163,637	(1,041,241)	13,953,356
Governmental activities capital assets, net	\$ 15,389,178	\$ 3,434,838	\$ (1,041,241)	\$ 17,782,775

Depreciation was charged to functions as follows:

Instruction	\$ 75,317
Instructional Library, Media, and Technology	65,667
Transportation	63,926
Food Services	31,461
Ancillary Services	60,743
General Administration	5,296
Centralized Data Processing	2,591
Plant Services	736,240
	<u>\$ 1,041,241</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Outlay Projects Fund	\$ 1,373,127	Supplement other funds sources
	Total	<u>\$ 1,373,127</u>	

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Cafeteria Fund	\$ 921,276	Supplement other funds sources
General Fund	General Fund	525,000	Supplement other funds sources
Capital Outlay Projects Fund	General Fund	1,373,127	Supplement other funds sources
	Total	<u>\$ 2,819,403</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 98,832	\$ 22,348	\$ --	\$ 121,180	121,180
Total governmental activities	<u>\$ 98,832</u>	<u>\$ 22,348</u>	<u>\$ --</u>	<u>\$ 121,180</u>	<u>\$ 121,180</u>

* Other long-term liabilities

Liability	Activity Type	Funds
Compensated absences	Governmental	General, Cafeteria

G. Joint Ventures (Joint Powers Agreements)

The District participates in a joint venture under a joint powers agreement (JPA) with the Self-Insured Schools of California (SISC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SISC arranges for and provides insurance for its members. SISC is governed by a board consisting of representatives from the member districts. The board controls the operations of the 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.

The District participates in a joint venture under a joint powers agreement with Kern Schools Legal Service. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Kern Schools Legal Services provides legal services for its members.

H. Pension Plans

1. General Information About the Pension Plans

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Pension Plan	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	\$ 14,515,000	\$ 1,204,604	\$ 640,000	\$ 1,474,000
CalPERS	8,899,000	727,184	105,000	1,617,853
Total	<u>\$ 23,414,000</u>	<u>\$ 1,931,788</u>	<u>\$ 745,000</u>	<u>\$ 3,091,853</u>

a. Plan Descriptions

Benefit provisions under CalSTRS and CalPERS are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
Hire Date	Before Jan. 1, 2013	On or After Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	60	62
Monthly benefits, as a % of eligible compensation	2.1 - 2.4%	2.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	9.328%	9.328%

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	55	62
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 8.395% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	7.126%	\$ --
2017	5.400%	\$ 309,676
2018	8.395%	\$ 698,317

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

d. Contributions Recognized

For the year ended June 30, 2018, the contributions recognized for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,204,604	\$ 727,184	\$ 1,931,788
Contributions - State On Behalf Payments	698,317	--	698,317
Total Contributions	<u>\$ 1,902,921</u>	<u>\$ 727,184</u>	<u>\$ 2,630,105</u>

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 14,515,000
CalPERS	8,899,000
Total Net Pension Liability	<u>\$ 23,414,000</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS	CalPERS
Proportion June 30, 2017	0.0160%	0.3600%
Proportion June 30, 2018	0.0157%	0.0373%
Change - Increase (Decrease)	<u>-0.0003%</u>	<u>-0.3227%</u>

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Total Pension Expense	<u>\$ 5,780,711</u>	<u>\$ 2,982,047</u>	<u>\$ 8,762,758</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,931,788	\$ --
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	--	(745,000)
Net difference between projected and actual earnings on plan investments	--	--
Total	<u>\$ 1,931,788</u>	<u>\$ (745,000)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2019	\$ 1,931,788	\$ (186,250)	\$ 1,745,538
2020	--	(186,250)	(186,250)
2021	--	(186,250)	(186,250)
2022	--	(186,250)	(186,250)
2023	--	--	--
Thereafter	--	--	--
Total	<u>\$ 1,931,788</u>	<u>\$ (745,000)</u>	<u>\$ 1,186,788</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS
Valuation Date	June 30, 2016		June 30, 2016
Measurement Date	June 30, 2017		June 30, 2017
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS		
Actuarial Assumptions:			
Discount Rate	7.10%		7.15%
Inflation	2.75.0%		3.00%
Payroll Growth	3.50%		3.00%
Projected Salary Increase	0.05%-6.4%	(1)	3.10%-9.00% (1)
Investment Rate of Return	7.10%	(2)	7.15% (2)
Mortality	.0173%-22.86%	(3)	0.466%-32.536% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Industry standard published by the Society of Actuaries

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

d. Discount Rate

The discount rate used to measure the total pension liability was 7.100% for CalSTRS and 7.150% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalSTRS discount rate was decreased in 2017 from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 2018) to adjust for changes resulting from a new actuarial study. The CalPERS discount rate was decreased from 7.65% to 7.15% for measurement date June 30, 2017 (fiscal year June 2018) to adjust for changes resulting in a new actuarial study.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

CalSTRS

Asset Class	Assumed Allocation June 30, 2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation June 30, 2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 21,319,265	\$ 13,090,270
Current Discount Rate	7.10%	7.65%
Net Pension Liability	\$ 14,515,000	\$ 8,899,000
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 8,995,858	\$ 5,422,828

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. Postemployment Benefits Other Than Pension Benefits

1. Plan Description

a. Plan Administration

Management of the District's Postemployment Benefit Plan is vested in the District's Board of Trustees (the Board). The Structure is described elsewhere in this report.

The Self-Insured Schools of California (SISC III) administers the District's Retiree Benefits Plan (the Plan) - a- single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent, full-time, certificated, and classified employees of the District.

Management of the Trust is vested in the SISC III Health and Welfare Benefits Program board of directors as of June 30, 2018 the board had 25 members, who are elected from and by representatives of SISC III member districts.

b. Benefits Provided

Certificated employees hired prior to June 30, 1996, become eligible to retire and receive District-paid contributions towards healthcare upon attainment of age 55 and 15 consecutive years of service immediately prior to retirement. District-paid benefits end at age 70.

Certificated employees hired between July 31, 1996 and June 30, 2009 become eligible to retire and receive District-paid contributions towards healthcare upon attainment of age 60 and 5 consecutive years of service). District-paid benefits end at age 65. Retiree benefits are pro-rated based on full time equivalency as of retirement.

Classified employees hired prior to July 19, 1993, become eligible to receive District-paid benefits upon the attainment of age 58 and consecutive years of service (or age 50 with at least 30 consecutive years of service). District-paid benefits end at age 65. Retiree benefits are pro-rated based on full time equivalency as of retirement.

Classified employees hired between July 20, 1993 and June 30, 2009 become eligible to retire and receive District-paid contributions towards healthcare upon attainment of age 60 and 10 consecutive years of service immediately prior to retirement. District-paid benefits end age 65.

Management and Confidential employees follow provisions for the employee groups with which they are associate, expect that benefits beyond age 65 require Board approval in certain cases.

Employees hired after June 30, 2009 are ineligible except on an ad hoc basis through Golden Handshake agreements, and have been excluded from the valuation.

c. Plan Membership

As of Year Ended June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	36
Inactive employees entitled to but not yet receiving benefit payments	--
Active employees	95
Total number of participants	<u>131</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Contributions

The contribution requirements of the plan are established by the District's Board of Trustees. The required contribution is based on projected pay-as you-go financing requirements. For the fiscal year ended June 30, 2018, the District contributed \$537,521 to the plan for current premiums. The District had no contributions to an OPEB Trust.

3. Investments

The District does not have any plan assets administered through a Trust. Therefore no investment policy and credit risk disclosure is provided.

4. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB Liability	\$ 7,852,972
Plan Fiduciary Net Position	-
District's Net OPEB Liability	<u>\$ 7,852,972</u>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	--
Covered-employee Payroll	\$ 14,079,745
District's Net OPEB Liability as a percentage of covered payroll	55.77%

5. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date	July 1, 2016
Discount Rate	4.00%
Inflation Rate	3.00%
Healthcare Trend Rates	5.00%
Investment Rate of Return	--
Mortality Rates	RP-2014 Mortality Tables
Retirees Share of Costs	--

6. Discount Rate

The discount rate used to measure the total OPEB liability was 4%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The Discount Rate used was based on "Not stated in the study."

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

7. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	\$ 8,964,605	\$ 7,852,972	\$ 6,919,759

8. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 4.00%	Rate 5.00%	1% Increase 6.00%
Total OPEB Liability	\$ 7,016,319	\$ 7,852,972	\$ 8,835,026

9. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of \$537,521. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ 537,521

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

J. Commitments and Contingencies

Litigation

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

The District has property tax appeals with an estimated tax liability including accrued interest of \$4,627,828 as of June 30, 2017. The District has impounded \$4,627,828 to partially cover this contingent liability at June 30, 2018.

State and Federal Allowances, Awards, and Grants

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

K. Subsequent Events

At the October 15, 2018 Regular Meeting of the Board of Trustees, Taft Union High School District (TUHSD) was notified by the Kern County Superintendent of Schools (KCSOS) that the Fiscal Crisis and Management Assistance Team (FCMAT) has been engaged by KCSOS to perform an AB 139 Extraordinary Audit at TUHSD pursuant to Education Code 1241.5(b). This engagement was based on information received by KCSOS regarding possible fraud, misappropriation of funds, or other illegal fiscal practices at TUHSD. As of the date of issuance of this audit report, no report or findings related to this investigation have been issued by FCMAT or KCSOS. It is anticipated that this investigation and report will be completed before the end of fiscal year 2018-19. Management believes it will have no material impact on the District when completed.

As of November 13, 2018, Josh Bryant was appointed Chief Business Officer of the Taft Union High School District.

Required Supplementary Information

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

TAFT UNION HIGH SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 25,420,379	\$ 8,345,364	\$ 6,597,034	\$ (1,748,330)
Education Protection Account Funds	--	6,036,321	6,703,547	667,226
Local Sources	--	11,306,494	12,453,452	1,146,958
Federal Revenue	329,620	330,617	274,997	(55,620)
Other State Revenue	766,268	876,858	764,078	(112,780)
Other Local Revenue	652,600	741,630	932,940	191,310
Total Revenues	<u>27,168,867</u>	<u>27,637,284</u>	<u>27,726,048</u>	<u>88,764</u>
Expenditures:				
Current:				
Certificated Salaries	9,321,138	9,389,512	8,935,168	454,344
Classified Salaries	4,970,763	5,104,361	4,794,134	310,227
Employee Benefits	6,429,763	6,413,218	6,234,711	178,507
Books And Supplies	2,774,624	2,154,689	1,321,261	833,428
Services And Other Operating Expenditures	2,528,700	2,977,000	3,328,834	(351,834)
Other Outgo	4,287,816	5,223,092	1,530,917	3,692,175
Capital Outlay	2,471,537	3,302,197	3,218,145	84,052
Total Expenditures	<u>32,784,341</u>	<u>34,564,069</u>	<u>29,363,170</u>	<u>5,200,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,615,474)</u>	<u>(6,926,785)</u>	<u>(1,637,122)</u>	<u>5,289,663</u>
Other Financing Sources (Uses):				
Transfers In	4,674,060	4,526,896	1,898,127	(2,628,769)
Transfers Out	(1,524,060)	(776,896)	(1,446,276)	(669,380)
Total Other Financing Sources (Uses)	<u>3,150,000</u>	<u>3,750,000</u>	<u>451,851</u>	<u>(3,298,149)</u>
Net Change in Fund Balance	(2,465,474)	(3,176,785)	(1,185,271)	1,991,514
Fund Balance, July 1	26,066,034	26,066,034	26,066,034	--
Fund Balance, June 30	<u>\$ 23,600,560</u>	<u>\$ 22,889,249</u>	<u>\$ 24,880,763</u>	<u>\$ 1,991,514</u>

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0157%	0.0160%	0.0170%	0.0150%
District's proportionate share of the net pension liability (asset)	\$ 9,188,415	\$ 10,383,708	\$ 9,156,064	\$ 7,157,982
State's proportionate share of the net pension liability (asset) associated with the District	5,326,585	2,527,292	2,289,016	1,789,496
Total	<u>\$ 14,515,000</u>	<u>\$ 12,911,000</u>	<u>\$ 11,445,080</u>	<u>\$ 8,947,478</u>
District's covered-employee payroll	\$ 8,935,175	\$ 9,273,085	\$ 8,072,495	\$ 8,233,324
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	102.83%	111.98%	113.42%	86.94%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	69.00%	70.00%	77.00%

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 1,902,921	\$ 1,582,020	\$ 731,963	\$ 559,782
Contributions in relation to the contractually required contribution	(1,902,921)	(1,582,020)	(731,963)	(559,782)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 8,935,175	\$ 9,273,085	\$ 8,072,495	\$ 8,233,324
Contributions as a percentage of covered-employee payroll	21.30%	17.06%	9.07%	6.80%

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0373%	0.0360%	0.0370%	0.0360%
District's proportionate share of the net pension liability (asset)	\$ 8,899,000	\$ 7,119,000	\$ 5,397,876	\$ 4,133,194
District's covered-employee payroll	\$ 5,145,570	\$ 5,463,144	\$ 4,333,405	\$ 4,014,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.94%	130.31%	124.56%	102.96%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.40%	83.38%

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 727,184	\$ 660,182	\$ 447,342	\$ 438,014
Contributions in relation to the contractually required contribution	(727,184)	(660,182)	(447,342)	(438,014)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,145,570	\$ 5,463,144	\$ 433,405	\$ 4,014,490
Contributions as a percentage of covered-employee payroll	14.13%	12.08%	103.22%	10.91%

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
RETIREE BENEFIT PLAN
LAST TEN FISCAL YEARS *

	Measurement Year Ended		
	2018	2017	2016
District's proportion of the collective net OPEB liability	100.00%	100.00%	100.00%
District's proportionate share of the collective net OPEB liability	\$ 7,852,972	\$ 9,136,539	\$ 1,928,868
Total	<u>\$ 7,852,972</u>	<u>\$ 9,136,539</u>	<u>\$ 1,928,868</u>
District's covered-employee payroll	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	55.77%	62.00%	15.55%
Plan fiduciary net position as a percentage of the total OPEB liability	--	--	--

Notes to schedule:

Valuation Date	July 1, 2016	July 1, 2013	July 1, 2013
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* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
RETIREE BENEFIT PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended		
	2018	2017	2016
Statutorily or contractually required District contribution	\$ 383,804	\$ 632,356	\$ 632,356
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	537,521	715,682	723,687
Contribution deficiency (excess)	<u>\$ (153,717)</u>	<u>\$ (83,326)</u>	<u>\$ (91,331)</u>
District's covered-employee payroll	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
Contributions as a percentage of covered-employee payroll	3.82%	4.86%	5.83%

Notes to schedule:

Valuation Date	July 1, 2016	July 1, 2013	July 1, 2013
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* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

TAFT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS RETIREE BENEFIT PLAN LAST TEN FISCAL YEARS *

	Fiscal Year		
	2018	2017	2016
Total OPEB liability:			
Service cost	\$ --	\$ --	\$ --
Interest	--	--	--
Changes of benefit terms	--	--	--
Differences between expected and actual experience	--	--	--
Changes of assumptions or other inputs	(1,283,567)	7,207,671	--
Benefit payments	--	--	--
Net change in total OPEB liability	(1,283,567)	7,207,671	--
Total OPEB liability - beginning	9,136,539	1,928,868	--
Total OPEB liability - ending(a)	<u>\$ 7,852,972</u>	<u>\$ 9,136,539</u>	<u>\$ 1,928,868</u>
Plan fiduciary net position:	\$ --	\$ --	\$ --
Contributions - employer	--	--	--
Contributions - employee	--	--	--
Net investment income	--	--	--
Benefit payments, including refunds of employee contributions	--	--	--
Administrative expense	--	--	--
Other	--	--	--
Net change in plan fiduciary net position	--	--	--
Plan fiduciary net position - beginning	--	--	--
Plan fiduciary net position - ending(b)	--	--	--
District's Net OPEB Liability - ending (a)-(b)	<u>\$ 7,852,972</u>	<u>\$ 9,136,539</u>	<u>\$ 1,928,868</u>
Plan Fiduciary Net Position as a percentage of the total liability	--	--	--
Covered-employee payroll	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
Total Net OPEB liability as a percentage of covered-employee payroll	55.77%	62.00%	15.55%

Notes to Schedule:

Valuation Date	July 1, 2016	July 1, 2013	July 1, 2013
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* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Combining Statements and Budget Comparisons as Supplementary Information

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

TAFT UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	\$ 74,791	\$ 54,559	\$ 129,350
Cash on Hand and in Banks	8,591	--	8,591
Cash in Revolving Fund	456	--	456
Accounts Receivable	6,232	229	6,461
Stores Inventories	29,690	--	29,690
Total Assets	<u>119,760</u>	<u>54,788</u>	<u>174,548</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 9,616	\$ --	\$ 9,616
Total Liabilities	<u>9,616</u>	<u>--</u>	<u>9,616</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	9,047	--	9,047
Stores Inventories	29,690	--	29,690
Restricted Fund Balances	71,407	--	71,407
Assigned Fund Balances	--	54,788	54,788
Total Fund Balance	<u>110,144</u>	<u>54,788</u>	<u>164,932</u>
Total Liabilities and Fund Balances	<u>\$ 119,760</u>	<u>\$ 54,788</u>	<u>\$ 174,548</u>

TAFT UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Other Local Revenue	\$ 57,111	\$ 799	\$ 57,910
Total Revenues	<u>57,111</u>	<u>799</u>	<u>57,910</u>
Expenditures:			
Current:			
Pupil Services	1,231,928	--	1,231,928
Plant Services	87,677	--	87,677
Total Expenditures	<u>1,319,605</u>	<u>--</u>	<u>1,319,605</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,262,494)</u>	<u>799</u>	<u>(1,261,695)</u>
Other Financing Sources (Uses):			
Transfers In	921,276	--	921,276
Total Other Financing Sources (Uses)	<u>921,276</u>	<u>--</u>	<u>921,276</u>
Net Change in Fund Balance	(341,218)	799	(340,419)
Fund Balance, July 1	451,362	53,989	505,351
Fund Balance, June 30	<u>\$ 110,144</u>	<u>\$ 54,788</u>	<u>\$ 164,932</u>

TAFT UNION HIGH SCHOOL DISTRICT
CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 91,200	\$ 57,111	\$ (34,089)
Total Revenues	<u>91,200</u>	<u>57,111</u>	<u>(34,089)</u>
Expenditures:			
Current:			
Classified Salaries	347,591	350,441	(2,850)
Employee Benefits	224,660	279,576	(54,916)
Books And Supplies	567,800	575,241	(7,441)
Services And Other Operating Expenditures	62,050	114,347	(52,297)
Total Expenditures	<u>1,202,101</u>	<u>1,319,605</u>	<u>(117,504)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,110,901)</u>	<u>(1,262,494)</u>	<u>(151,593)</u>
Other Financing Sources (Uses):			
Transfers In	<u>921,276</u>	<u>921,276</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>921,276</u>	<u>921,276</u>	<u>--</u>
Net Change in Fund Balance	(189,625)	(341,218)	(151,593)
Fund Balance, July 1	451,362	451,362	--
Fund Balance, June 30	<u>\$ 261,737</u>	<u>\$ 110,144</u>	<u>\$ (151,593)</u>

TAFT UNION HIGH SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 450	\$ 799	\$ 349
Total Revenues	<u>450</u>	<u>799</u>	<u>349</u>
Expenditures:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>450</u>	<u>799</u>	<u>349</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	450	799	349
Fund Balance, July 1	53,989	53,989	--
Fund Balance, June 30	<u>\$ 54,439</u>	<u>\$ 54,788</u>	<u>\$ 349</u>

TAFT UNION HIGH SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 90,000	\$ 10,255	\$ (79,745)
Total Revenues	<u>90,000</u>	<u>10,255</u>	<u>(79,745)</u>
Expenditures:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>90,000</u>	<u>10,255</u>	<u>(79,745)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(3,750,000)</u>	<u>(1,373,127)</u>	<u>2,376,873</u>
Total Other Financing Sources (Uses)	<u>(3,750,000)</u>	<u>(1,373,127)</u>	<u>2,376,873</u>
Net Change in Fund Balance	(3,660,000)	(1,362,872)	2,297,128
Fund Balance, July 1	27,973,734	27,973,734	--
Fund Balance, June 30	<u>\$ 24,313,734</u>	<u>\$ 26,610,862</u>	<u>\$ 2,297,128</u>

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Impound Fund	Student Body Fund	Total Agency Funds
ASSETS:			
Cash in County Treasury	\$ 4,627,828	\$ --	\$ 4,627,828
Cash on Hand and in Banks	--	147,907	147,907
Total Assets	<u>4,627,828</u>	<u>147,907</u>	<u>4,775,735</u>
LIABILITIES:			
Due to Student Groups/Other Agencies	\$ 4,627,828	\$ 147,907	\$ 4,775,735
Total Liabilities	<u>4,627,828</u>	<u>147,907</u>	<u>4,775,735</u>
NET POSITION:			
Total Net Position	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Other Supplementary Information

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

TAFT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

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 ending June 30, 2018, was comprised of the following members:

Governing Board		
Name	Office	Term and Term Expiration
John Kopp	President	December 2020
Julie Ortlieb	Clerk	December 2018
Wendy Berry	Member	December 2020
Paul Linder	Member	December 2018
Rick Twisselman	Member	December 2018

Administration
Superintendent Board Secretary Blanca Cavazos
Assistant Superintendent Business Services Joost Demoes

TAFT UNION HIGH SCHOOL DISTRICT**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
TK/K-3 Totals	--	N/A	--	N/A
Grades 4-6:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 4-6 Totals	--	N/A	--	N/A
Grades 7 and 8:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 7 and 8 Totals	--	N/A	--	N/A
Grades 9-12:				
Regular ADA	949	N/A	944	N/A
Extended Year Special Education	1	--	1	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 9-12 Totals	950	N/A	945	N/A
ADA Totals	950	N/A	945	N/A

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

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

TAFT UNION HIGH SCHOOL DISTRICT**SCHEDULE OF INSTRUCTIONAL TIME****YEAR ENDED JUNE 30, 2018**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	64,800	--	67,135	180	--	Complied
Grade 10	64,800	--	67,135	180	--	Complied
Grade 11	64,800	--	67,135	180	--	Complied
Grade 12	64,800	--	67,135	180	--	Complied

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

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	\$ 27,561,793	\$ 27,726,048	\$ 28,806,944	\$ 38,154,924
Expenditures	28,252,212	29,363,170	29,316,597	31,772,294
Other uses and transfers out	2,513,902	(451,851)	721,275	10,662,307
Total outgo	30,766,114	28,911,319	30,037,872	42,434,601
Change in fund balance (deficit)	(3,204,321)	(1,185,271)	(1,230,928)	(4,279,677)
Ending fund balance	\$ (1,767,919)	\$ 24,880,764	\$ 26,066,035	\$ 27,032,695
Available reserves (see note 2)	\$ 1,102,187	\$ 1,230,630	\$ 1,547,625	\$ 1,710,029
Available reserves as a percentage of total outgo	3.6%	4.3%	5.2%	4.0%
Total long-term debt	\$ 31,266,972	\$ 31,388,152	\$ 29,265,371	\$ 18,875,654
Average daily attendance at P-2	953	950	960	972

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

The fund balance of the general fund has decreased by \$2,151,931 (-7.96%) over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$3,204,321 (-12.88%). For a district of this size, the State recommends available reserves of at least \$55,000 or four (4) percent of total general fund expenditures, transfers out and other uses (total outgo),

The District has experienced operating deficits for the past three years, and projects a deficit during the 2018-19 fiscal year. Total long-term debt has increased by \$12,512,498 over the past two years.

Average daily attendance has decreased by 22 over the past two years. An increase of 3 ADA is anticipated during the fiscal year 2018-19.

NOTES:

- 1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Cafeteria Fund	Non-Capital Outlay Fund	Post Employment Benefits Fund
June 30, 2018, annual financial and budget report fund balances	\$ 11,873,593	\$ 104,025	\$ 729,029	\$ 12,215,908
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Cash in County Treasury	740,136	--	(725,979)	(14,157)
Cash in Hand and in Banks	62,233	8,591	--	--
Investments	12,201,619	--	--	(12,201,619)
Accounts Receivable	3,182	--	(3,050)	(132)
Stores	--	(2,473)	--	--
Rounding	--	1	--	--
Net adjustments and reclassifications	13,007,170	6,119	(729,029)	(12,215,908)
June 30, 2018, Taft Union High School District, audited financial statement fund balances	\$ 24,880,763	\$ 110,144	\$ --	\$ --

	Non-Current Liabilities
June 30, 2018, annual financial and budget report total liabilities	\$ 121,180
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net Pension Liability	23,414,000
Net OPEB Liability	7,852,972
Net adjustments and reclassifications	31,266,972
June 30, 2018, audited financial statement total liabilities	\$ 31,388,152

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

TAFT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2018

No charter schools are chartered by Taft Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

TAFT UNION HIGH SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NOTE 1 - Early Retirement Incentive Program

The District did not offer this program in the current year.

Other Independent Auditor's Reports



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

To the Board of Trustees
Taft Union High School District
Taft, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taft Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Taft Union High School District's basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
February 15, 2019



Independent Auditor's Report on State Compliance

To the Board of Trustees
Taft Union High School District
Taft, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our qualified opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Basis for our Qualified Opinion

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which is required to be reported in accordance with the State's audit guide, 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in Title 5, California Code of Regulations, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-01.

Qualified Opinion on State Compliance

In our opinion, except for the findings noted above, Taft Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Other Matters

Taft Union High School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
February 15, 2019

Findings and Recommendations Section

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards Not Applicable

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X Yes No

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

D. State Award Findings and Questioned Costs

Finding 2018-01 - School Accountability Report Card - Code 72000

Criteria or Specific Requirement

For each school in the sample of schools selected pursuant to Section A of this guide, obtain the school district's or COE's copy of its most recently completed "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction and approved by the State Allocation Board and applicable to the School Accountability Report Card(s) selected in 1, or a local evaluation instrument that meets the same criteria, pursuant to subdivision (d) of Education Code section 17002. Compare the information contained in the FIT to the information on safety, cleanliness, and adequacy of school facilities contained in the School Accountability Report Card(s) selected in 1 for that school as required by Education Code section 33126(b)(8). If the information in the School Accountability Report Card is inconsistent with the information in the FIT, interview management to determine the basis of the inconsistency. If the School Accountability Report Card was inaccurate, so state in a finding.

Condition

For two schools tested, one school, Taft High School, the SARC information was inconsistent. Four of the eight "System Inspected" categories, Interior, Electrical, Restrooms/Fountains, and External, were marked as "Good" however the actual FIT report showed a lower rated status, three were Poor, and one was Fair. The "Overall Facility Rating" was stated as "Exemplary" however the FIT report was shown as "Fair."

Effect

The Overall Facility Rating information for one of two sites in the District's SARCs was not consistent with the FIT reports and therefore not reported correctly.

Cause

Management believes the root cause of this lack of consistency between the facilities information presented in the SARC and FIT reports was a simple lack of cross-referencing the FIT document prior to the issuance/publication of the SARC report.

Questioned Costs

None

Recommendation

District should maintain adequate records to support information published in the SARC.

Corrective Action Plan

To ensure concurrence between the SARC and FIT reports for TUHSD, the Principal will verify with the Chief Business Official that the information presented on the SARC matches that which is presented on the FIT report for the given period prior to issuance & publication.

TAFT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings for year ending June 30, 2017.		