TAFT UNION HIGH SCHOOL DISTRICT

COUNTY OF KERN
TAFT, CALIFORNIA

AUDIT REPORT

JUNE 30, 2015

TAFT UNION HIGH SCHOOL DISTRICT
COUNTY OF KERN
JUNE 30, 2015

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FINANCIAL SECTION

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Taft Union High School District
Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taft Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 15, 2016

TAFT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The 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, 2015. The intent of this 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.

New Significant Accounting Standards Implemented

In fiscal year 2015, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity and that had a significant impact on the District's financial statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not for funding standards, for the District's Cost-Sharing Multiple-Employer defined benefit pension plans with the California Public Employees' Retirement System (CalPERS) and in the California State Teachers' Retirement System (CalSTRS). This statement replaces the requirements of prior GASB statements impacting accounting and disclosures of pensions.

As a result of implementing GASB Statement No. 68, the District was required to recognize its proportionate share of the total net pension liability (NPL) in the financial statements for each of the defined benefit pension plans and also recognize the proportionate share of pension expense and deferred items (inflows and outflows of resources). In addition, a prior period adjustment of $15,564,370 was made to the District's July 1, 2014 net position to properly reflect the reporting of the net pension liabilities, deferred outflows of resources, and deferred inflows of resources, which caused a decrease in the beginning net position. Please refer to Note 9 for more information regarding the District's defined benefit pension plans and Note 11 for information on the prior period adjustment.

The measurement date for the pension liability for both CalPERS and CalSTRS is as of June 30, 2014. This date reflects a one year lag that was used so that the financial statements could be issued in an expedient manner. Activity occurring during fiscal year 2015 is reported in the Statement of Net Position in accordance with GASB Statement No. 71; contributions made by the District in fiscal year 2015, after the measurement date, are reported as deferred outflows of resources.

Financial Highlights:

- The District's financial status continues to remain solid. The District is able to meet all of the current needs and maintain a more than adequate reserve. However, continued changes in school finances may greatly change the current outlook over the course of the next few years.

- Overall revenues for all governmental funds were $42,652,839, which is $12,302,822, more than expenditures totaling $30,350,017.

- The general fund's fund balance decreased $4,391,929 for the fiscal year.

- Long-term debt has increased by $13,584,261 over the past two years due to the implementation of GASB Statement No. 68.

- Enrollment in the District increased by 1.2%.

Overview of Financial Statements

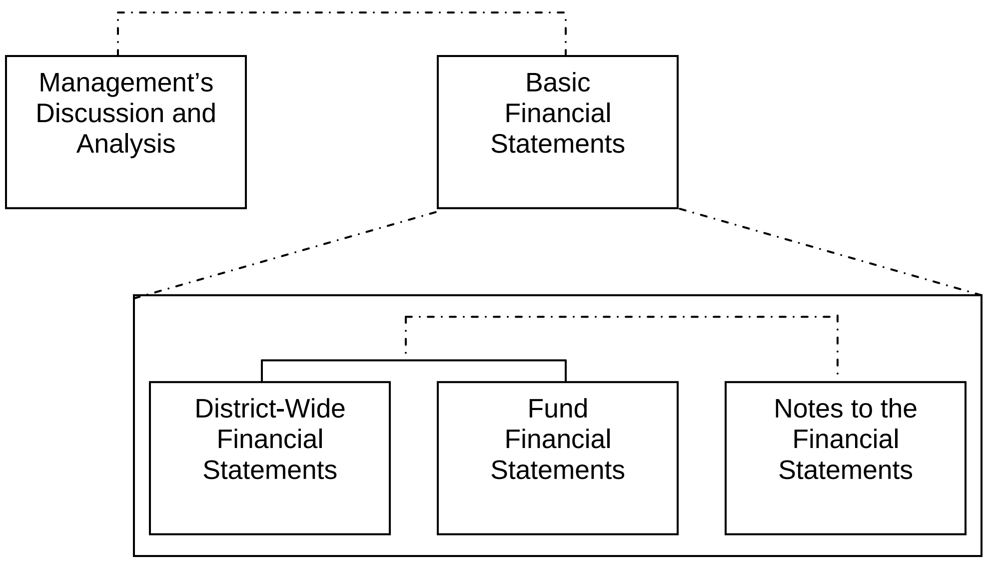
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

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

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

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

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



District-Wide Statements

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

The two district-wide statements report the District's net position. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position will be an indicator of whether its financial position is improving or deteriorating, respectively.

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was $56,647,636 at June 30, 2015. The District's net position as restated increased by 26.2% or $11,755,378 over 2014. 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, 2015, and the changes over 2014.

Table A-1
Taft Union High School District
Net Position – Governmental Activities
June 30, 2015 and 2014

	2015	2014	Percentage Increase (Decrease)
Current and Other Assets	$ 62,588,854	$ 55,780,902	12.20%
Capital Assets, Net	13,653,618	13,974,990	-2.30%
Total Assets	76,242,472	69,755,892	9.30%
Deferred Outflows of Resources*	1,209,305	-	100.00%
Long-Term Liabilities	15,216,159	1,839,923	727.00%
Other Liabilities	1,964,471	7,459,341	-73.66%
Total Liabilities	17,180,630	9,299,264	84.75%
Deferred Inflows of Resources*	3,623,511	-	0.00%
Net Position			
Net Investment in Capital Assets	13,653,618	13,974,990	-2.30%
Restricted	42,596,357	12,591,206	238.30%
Unrestricted	397,661	33,890,432	-98.83%
Total Net Position	$ 56,647,636	$ 60,456,628	-6.30%

* Amounts represent new balances in fiscal year 2015 resulting from the implementation of GASB Statements No. 68 and No. 71.

Changes in Net Position. Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for 2014-15 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 41.9% of the total expenses. Figure A-3 presents the total expenses by percent.

Table A-2
Taft Union High School District
Change in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014	Percentage Increase (Decrease)
Net Position Beginning Balance, as Restated*	$ 44,892,258	$ 68,258,950	-34.23%
Revenues			
Program Revenues			
Charges for Services	74,950	91,451	-18.04%
Operating Grants and Contributions	833,171	411,804	102.32%
General Revenues			
Property Taxes	41,064,308	11,613,945	253.58%
Federal and State Aid	488,345	14,472,183	-96.63%
Other	231,149	464,485	-50.24%
Total Revenues	42,691,923	27,053,868	57.80%
Expenses			
Instruction	11,041,816	10,678,048	3.41%
Instruction-Related Services	1,920,794	1,419,901	35.28%
School Site Administration	940,112	739,811	27.07%
Pupil Services	4,563,429	3,969,610	14.96%
General Administration	1,545,902	1,292,893	19.57%
Plant Services	5,525,142	4,560,295	21.16%
Ancillary Services	1,203,060	879,845	36.74%
Other Outgo	4,194,963	11,315,787	-62.93%
Depreciation (Unallocated)	1,327	-	100.00%
Total Expenses	30,936,545	34,856,190	-11.25%
Change in Net Position	11,755,378	(7,802,322)	-250.67%
End of Year Net Position	$ 56,647,636	$ 60,456,628	-6.30%

* Beginning balances were restated due to the implementation of GASB Statement No. 68 and are not reflected in the 2014 column as this information was not available.

Figure A-2 Sources of Revenue for 2014-15

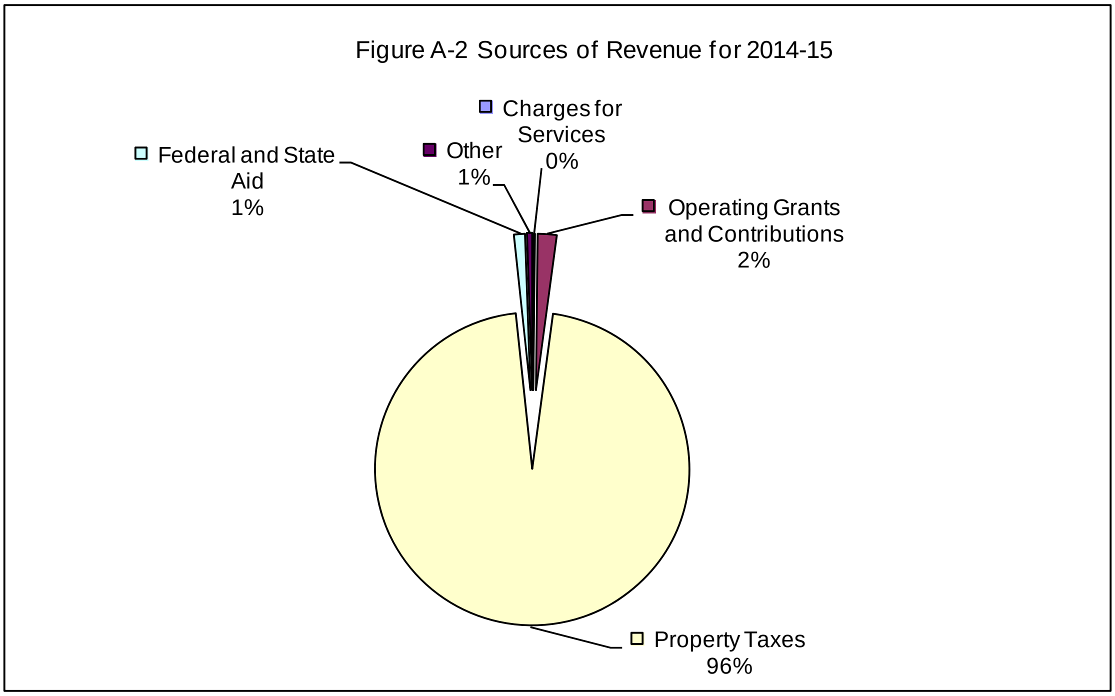


Figure A-3 Expenses for 2014-15

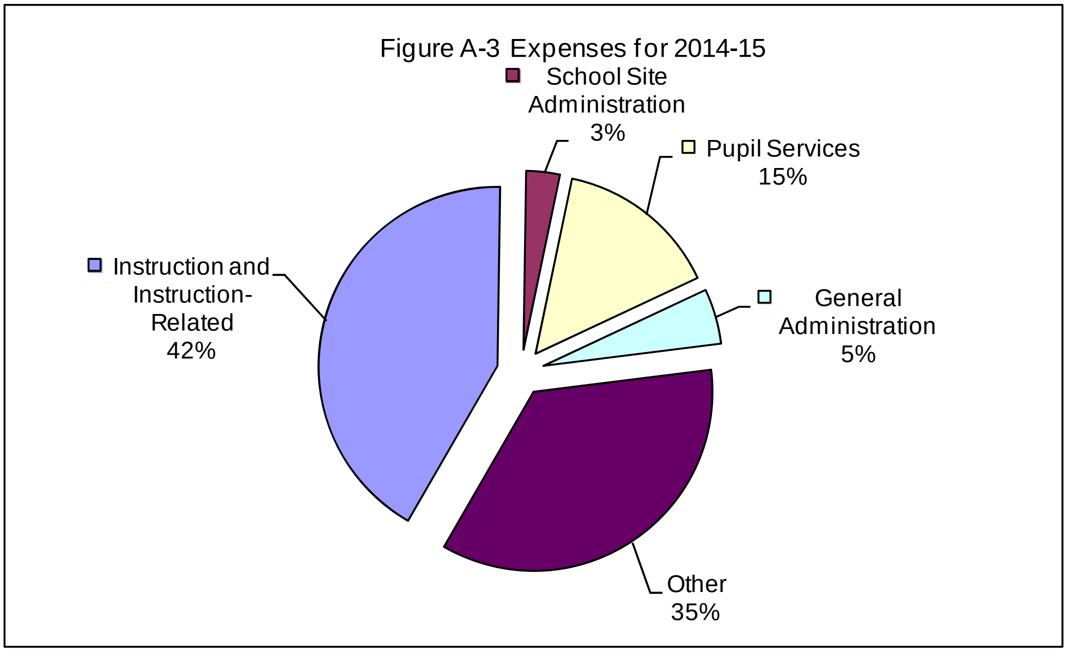


Table A-3 presents the cost of the major District activities: Instruction and Instruction-Related Services, Pupil Services, General Administration, Plant Services, Ancillary Services, School Site Administration, and Other Outgo. The table also shows each activity's net cost (total cost less fees generated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

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

	Total Cost of Services	Net Cost of Services
Instruction	$ 11,041,816	$ 10,366,999
Instruction-Related Services	1,920,794	1,836,901
School Site Administration	940,112	937,115
Pupil Services	4,563,429	4,429,939
General Administration	1,545,902	1,545,120
Plant Services	5,525,142	5,519,563
Ancillary Services	1,203,060	1,202,083
Other Outgo	4,194,963	4,189,377
Depreciation (Unallocated)	1,327	1,327
	$ 30,936,545	$ 30,028,424

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 $60,624,383. Average Daily Attendance (ADA) is expected to increase slightly in fiscal year 2015-16. The District expects to maintain a sound financial picture as its reserves continue at healthy levels.

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

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

Capital Assets

The District has established a $5,000 threshold for identifying capital assets. Land, buildings and improvements, equipment, and construction in progress are categorized as capital assets. Table A-4 presents these categories (at cost) and the amounts associated less accumulated depreciation and changes that occurred during the year. The total capital assets for governmental activities are $13,653,618.

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

	2015	2014	Current Change
Land	$ 390,884	$ 390,884	$ -
Buildings and Improvements	19,998,956	19,668,234	330,722
Equipment	9,408,546	9,090,194	318,352
Construction in Progress	113,126	84,819	28,307
Less: Accumulated Depreciation	(16,257,894)	(15,259,141)	(998,753)
Total	$ 13,653,618	$ 13,974,990	$ (321,372)

Long-Term Liabilities

At year-end, the District had $2,047,677 outstanding in other postemployment benefits other than pension benefits (OPEB), $87,810 outstanding in compensated absences, and $13,080,672 in net pension liability, as shown in Table A-5.

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

	Governmental Activities		Dollar
	2015	2014	Change
OPEB Obligation	$ 2,047,677	$ 1,765,653	$ 282,024
Compensated Absences	87,810	74,270	13,540
Net Pension Liability*	13,080,672	16,562,767	(3,482,095)
Total	$ 15,216,159	$ 18,402,690	$ (3,186,531)

* Amounts represent new balances in fiscal year 2015 resulting from the implementation of GASB Statements No. 68 and No. 71. 2014 column shows the restatement.

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 2015-16 budget year appropriations in order to be able to continue to meet its current needs. The District currently has a 95.75% reserve, which is 91.75% more than is required.

Contacting the District's Financial Management

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash in County Treasury	$ 30,612,538
Cash in Revolving Fund	75,456
Investments	29,931,235
Accounts Receivable	1,941,937
Stores Inventory	27,688
Total Current Assets	62,588,854
Capital Assets	
Land	390,884
Construction in Progress	113,126
Improvement of Sites	2,627,824
Buildings	17,371,132
Equipment	9,408,546
Less Accumulated Depreciation	(16,257,894)
Total Capital Assets, Net of Depreciation	13,653,618
Total Assets	76,242,472
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions	1,209,305
LIABILITIES	
Accounts Payable and Other Current Liabilities	1,964,471
Long-Term Liabilities	
Due Within One Year Other than Pensions	87,810
Due in More Than One Year Other than Pensions	2,047,677
Net Pension Liability	13,080,672
Total Liabilities	17,180,630
DEFERRED INFLOWS OF RESOURCES	
Differences Between Projected and Actual Earnings on Pension Plan Investments	3,623,511
NET POSITION	
Net Investment in Capital Assets	13,653,618
Restricted for:	
Capital Projects	27,596,357
Educational Programs	15,000,000
Unrestricted	397,661
Total Net Position	$ 56,647,636

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) and Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 11,041,816	$ -	$ 674,817	$ -	$(10,366,999)
Instruction-Related Services:					
Supervision of Instruction	380,422	-	47,640	-	(332,782)
Instructional Library, Media, and Technology	1,540,372	-	36,253	-	(1,504,119)
School Site Administration	940,112	-	2,997	-	(937,115)
Pupil Services:					
Home-to-School Transportation	895,652	-	-	-	(895,652)
Food Services	1,213,197	69,643	3,570	-	(1,139,984)
All Other Pupil Services	2,454,580	-	60,277	-	(2,394,303)
General Administration:					
Central Data Processing	4,367	-	-	-	(4,367)
All Other General Administration	1,541,535	-	782	-	(1,540,753)
Plant Services	5,525,142	5,307	272	-	(5,519,563)
Ancillary Services	1,203,060	-	977	-	(1,202,083)
Other Outgo	4,194,963	-	5,586		(4,189,377)
Depreciation (unallocated)*	1,327	-	-	-	(1,327)
Totals	$ 30,936,545	$ 74,950	$ 833,171	$ -	(30,028,424)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	41,055,069
Taxes Levied for Other Specific Purposes	9,239
Federal and State Aid Not Restricted to Specific Purposes	488,345
Interest and Investment Earnings	124,637
Interagency Revenues	65,018
Miscellaneous	41,494
Total General Revenues	41,783,802
Change in Net Position	11,755,378
Net Position Beginning, as Restated	44,892,258
Net Position Ending	$ 56,647,636

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

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

TAFT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash in County Treasury	$ 18,734,865	$ 10,170,467	$ 1,707,206	$ 30,612,538
Cash in Revolving Fund	75,000	-	456	75,456
Investments	12,510,068	17,421,167	-	29,931,235
Accounts Receivable	1,868,812	4,723	1,481	1,875,016
Due From Grantor Government	66,921	-	-	66,921
Stores Inventory	-	-	27,688	27,688
TOTAL ASSETS	$ 33,255,666	$ 27,596,357	$ 1,736,831	$ 62,588,854
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 1,943,294	$ -	$ 21,177	$ 1,964,471
TOTAL LIABILITIES	1,943,294	-	21,177	1,964,471
FUND BALANCES				
Nonspendable				
Revolving Cash	75,000	-	456	75,456
Stores Inventory	-	-	27,688	27,688
Restricted	26,029	-	1,634,462	1,660,491
Assigned	30,777,003	27,596,357	53,048	58,426,408
Unassigned				
Designated for Economic Uncertainties	434,340	-	-	434,340
TOTAL FUND BALANCES	31,312,372	27,596,357	1,715,654	60,624,383
TOTAL LIABILITIES AND FUND BALANCES	$ 33,255,666	$ 27,596,357	$ 1,736,831	$ 62,588,854

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

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds		$ 60,624,383
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is $29,911,512, and the accumulated depreciation is $(16,257,894).		13,653,618
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	$ (87,810)	
Post-Employment Benefits Other than Pension Benefits (OPEB) Liability	(2,047,677)	
Net pension liability (NPL)	(13,080,672)	(15,216,159)
Deferred outflows are not current assets or financial resources; and deferred inflows are not due and payable in the current period and therefore not reported in the governmental funds.		
Deferred outflows of resources	1,209,305	
Deferred inflows of resources	(3,623,511)	(2,414,206)
Total Net Position - Governmental Activities		$ 56,647,636

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula Sources	$ 41,262,125	$ -	$ -	$ 41,262,125
Federal Revenues	184,912	-	-	184,912
Other State Revenues	393,208	-	-	393,208
Other Local Revenues	709,053	24,512	79,029	812,594
TOTAL REVENUES	42,549,298	24,512	79,029	42,652,839
EXPENDITURES				
Instruction	11,565,160	-	-	11,565,160
Instruction - Related Services	2,690,210	-	-	2,690,210
Pupil Services	3,103,838	-	1,156,722	4,260,560
Ancillary Services	1,095,098	-	-	1,095,098
General Administration	1,413,272	-	-	1,413,272
Plant Services	5,042,617	-	88,137	5,130,754
Other Outgo	4,194,963	-	-	4,194,963
TOTAL EXPENDITURES	29,105,158	-	1,244,859	30,350,017
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,444,140	24,512	(1,165,830)	12,302,822
OTHER FINANCING SOURCES (USES)				
Transfers In	7,149,930	20,000,000	2,160,373	29,310,303
Transfers Out	(24,985,999)	(4,324,304)	-	(29,310,303)
TOTAL OTHER FINANCING SOURCES (USES)	(17,836,069)	15,675,696	2,160,373	-
Net Change in Fund Balances	(4,391,929)	15,700,208	994,543	12,302,822
Fund Balances at Beginning of Year	35,704,301	11,896,149	721,111	48,321,561
Fund Balances at End of Year	$ 31,312,372	$ 27,596,357	$ 1,715,654	$ 60,624,383

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

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

Total Net Change in Fund Balances - Governmental Funds	$	12,302,822
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays $677,381 exceeded depreciation $(998,753) in the current period.		(321,372)
Post-employment benefits other than pension benefits (OPEB) costs are recognized when the employer contributions are made for governmental fund purposes. In the government-wide statements, OPEB costs are recognized on the accrual basis of accounting as determined by the actuary. The difference between actuarially determined OPEB costs and actual employer contributions is:		(282,024)
Compensated absences are measured by the amounts paid during the period. However, in the statement of activities, compensated absences are measured by the amounts earned. This is the amount between compensated absences paid and compensated absences earned.		(13,540)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis of accouting. This year, the difference between accrual-basis pension costs and the actual employer contributions was:		69,492
Change in Net Position - Governmental Activities	$	11,755,378

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

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds
	Student Body Funds
ASSETS	
Cash on Hand and in Banks	$ 321,088
TOTAL ASSETS	$ 321,088
LIABILITIES	
Due to Student Groups	$ 321,088

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

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

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

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

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

Deferred Outflows and Inflows of Resources:

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

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

NOTE 1 – <u>SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

B. <u>Basis of Presentation</u> (Continued)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

C. <u>Basis of Accounting</u>

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

Revenues – Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis of accounting when the exchange takes place. On a modified accrual basis of accounting, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – <u>SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

D. <u>Fund Accounting</u>

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

Major Governmental Funds:

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

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

Non-Major Governmental Funds:

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

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

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

Fiduciary Funds:

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

E. <u>Budgets and Budgetary Accounting</u>

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Balance

1. Deposits and Investments

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

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

2. Interfund Receivables and Payables

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

3. Stores Inventory

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

4. Capital Assets

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets (Continued)

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

5. Unearned Revenue

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

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

6. Compensated Absences

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Fund Balance

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

Categories and Authority to Commit and Assign Funds

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

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Included in restricted amounts are $26,029 for Proposition 39 and $1,634,462 for the nutrition program.

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

Assigned fund balance – consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. The District's governing board has authority to set aside or designate authority to set aside funds as Assigned for an intended purpose. The governing board authorized the Superintendent or designee in identifying intended uses of funds and so assigning residual balances. Any such assignments can be made any time prior to the issuance of the financial statements. The general fund reports $30,777,003 for other post-employment benefits (OPEB), special reserves, and future cash flow needs. The special reserve for capital projects fund reports $27,596,357 for capital projects and the remaining $53,048 are for the purpose of the funds.

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

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

Minimum Unassigned Fund Balance

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

Order of Expenditures of Funds

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

9. Pensions

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Date of Management Review

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustments to the financial statements or disclosures is January 15, 2016, which is the date the financial statements were available to be issued.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Change in Accounting Principles

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

This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of GASB Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASB Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement.

The District has implemented the provisions of this statement for the year ended June 30, 2015. As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $15,564,370. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

J. Implementation of New Accounting Pronouncements

For the year ended June 30, 2015, the District implemented the following provisions of GASB:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. As noted above, the District has implemented the provisions of GASB Statement No. 68 in the current year. See Note 11 for detailed discussion of the effects on the District's current and prior period financial statements as a result of the adoption of this standard.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.* The provisions of statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. There was no effect on the District's accounting for financial reporting as a result of implementing this standard.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The District has implemented the provisions of GASB Statement No. 71 in the current year, along with GASB Statement No. 68.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Governmental Accounting Standards Board Statements

GASB Statement No. 72 – *Fair Value Measurement and Application.* The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The District has not fully judged the effect of the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

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

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

GASB Statement No. 76 – *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of this statement are effective for fiscal years beginning after June 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 76 as of the date of the basic financial statements.

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

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

NOTE 2 – CASH AND INVESTMENTS

Cash, deposits, and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Deposits:	
Cash in Revolving Fund	$ 75,456
Pooled Funds:	
Cash in County Treasury	30,612,538
Investments	29,931,235
Total	60,619,229
Fiduciary Funds	
Deposits:	
Cash on Hand and in Banks	321,088
Total Fiduciary Funds	321,088
Total District Cash, Deposits, and Investments	$ 60,940,317

A. Cash in County Treasury

The District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled $30,612,538 as of June 30, 2015. The fair value of this pool as of that date, as provided by the pool sponsor, was $30,612,538. The District is considered to be an involuntary participant in the external investment pool.

B. Investments

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

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

The District's investments, which totaled $29,931,235 as of June 30, 2015, consist of investments authorized by the California *Government Code* and the District's investment policy, where more restrictive, as indicated in the table that follows:

NOTE 2 – <u>CASH AND INVESTMENTS</u> (Continued)

B. <u>Investments</u> (Continued)

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

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

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

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

** No combined single corporate securities in the entire account shall exceed $1,750,000.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by restricting the maturity of certain investments to a maximum of 5 years.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Securities	$ 14,406,841	$ -	$ 3,983,769	$ 10,423,072	$ -
County Investment Pool	30,612,538	30,612,538	-	-	-
Money Market Mutual Funds	979,039	979,039	-	-	-
Corporate Bonds	13,424,254	-	1,896,340	11,527,914	-
Certificates of Deposit	1,121,101	-	384,706	736,395	-
Totals	$ 60,543,773	$ 31,591,577	$ 6,264,815	$ 22,687,381	$ -

Disclosures Relating to Credit Risk

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

				Rating as of Year-End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
U.S. Government Securities	$ 14,406,841	N/A	$ -	$ -	$ 14,406,841	$ -	$ -
County Investment Pool	30,612,538	N/A	-	-	-	-	30,612,538
Money Market Mutual Funds	979,039	N/A	-	-	-	-	979,039
Corporate Bonds	13,424,254	A	-	-	5,906,131	7,518,123	-
Certificates of Deposit	1,121,101	N/A	1,121,101	-	-	-	-
Totals	$ 60,543,773	N/A	$ 1,121,101	$ -	$ 20,312,972	$ 7,518,123	$ 31,591,577

Custodial Credit Risk

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk (Continued)

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The District had deposits with a bank balance of $212,923 as of June 30, 2015. Of the bank balances, up to $250,000 for 2015 is federally insured. Therefore, none of the District's deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts.

Concentration Risk

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

NOTE 3 – RECEIVABLES

Accounts receivable at June 30, 2015, consist of the following:

	General Fund	Special Reserve Capital Projects Fund	All Other Governmental Funds	Totals
Federal Government	$ 58,477	$ -	$ -	$ 58,477
State Government				
Lottery	57,329	-	-	57,329
Total State Government	57,329	-	-	57,329
Local				
Other	1,780,795	-	-	1,780,795
Interest	39,132	4,723	1,481	45,336
Total Local	1,819,927	4,723	1,481	1,826,131
Total	$ 1,935,733	$ 4,723	$ 1,481	$ 1,941,937

All receivables are considered collectible in full.

NOTE 4 – INTERFUND TRANSACTIONS

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

NOTE 4 – <u>INTERFUND TRANSACTIONS</u> (Continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2015 were as follows:

Funds	Transfers In	Transfers Out
Major Fund:		
General Fund	$ 7,149,930	$ 24,985,999
Special Reserve Capital Projects Fund	20,000,000	4,324,304
Non-Major Fund:		
Cafeteria Fund	2,160,373	-
Totals	$ 29,310,303	$ 29,310,303

The transfer of $20,000,000 from the General Fund to the Special Reserve Capital Projects Fund was for funding of capital outlay for future projects.

The transfer of $2,000,000 from the General Fund to the Cafeteria Fund was for funding of expenditures.

The transfer of $160,373 from the General Fund to the Cafeteria Fund was to pay back money generated by free and reduced meals.

The transfer of $2,825,626 from the General Fund to the Special Reserve for the Post-Employment Benefits Fund to fund the OPEB liability.

The Transfer of $4,324,304 from the Special Reserve Capital Projects Fund to the Post-Employment Benefits Fund was to fund the OPEB liability.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	$ 390,884	$ -	$ -	$ 390,884
Construction in Progress	84,819	110,626	82,319	113,126
Total Capital Assets Not Being Depreciated	475,703	110,626	82,319	504,010
Capital Assets, Being Depreciated:				
Improvement of Sites	2,627,824	-	-	2,627,824
Buildings	17,040,410	330,722	-	17,371,132
Equipment	9,090,194	318,352	-	9,408,546
Total Capital Assets Being Depreciated	28,758,428	649,074	-	29,407,502
Less Accumulated Depreciation for:				
Improvement of Sites	(1,711,512)	(133,407)	-	(1,844,919)
Buildings	(6,287,744)	(330,568)	-	(6,618,312)
Equipment	(7,259,885)	(534,778)	-	(7,794,663)
Total Accumulated Depreciation	(15,259,141)	(998,753)	-	(16,257,894)
Total Capital Assets Being Depreciated, Net	13,499,287	(349,679)	-	13,149,608
Governmental Activities Capital Assets, Net	$ 13,974,990	$ (239,053)	$ 82,319	$ 13,653,618

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 87,592
Instructional Library, Media, and Technology	40,945
Home-to-School Transportation	18,677
Food Services	18,039
Ancillary Services	62,450
All Other General Administration	4,498
Centralized Data Processing	4,821
Plant Services	760,404
Depreciation Unallocated	1,327
Total Depreciation Expense	$ 998,753

NOTE 6 – CHANGE IN LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Compensated Absences	$ 74,270	$ 220,494	$ 206,954	$ 87,810	$ 87,810
Net Pension Liability (NPL) - as restated - Note 11	16,562,767	-	3,482,095	13,080,672	-
OPEB	1,765,653	604,878	322,854	2,047,677	-
Total Governmental Activities	$ 18,402,690	$ 825,372	$ 4,011,903	$ 15,216,159	$ 87,810

NOTE 7 – JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

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

	June 30, 2015		September 30, 2014
	SISC I	SISC II	SISC III
Total Assets	$ 81,688,875	$ 51,666,152	$ 304,614,232
Total Liabilities	59,641,557	27,814,489	159,022,820
Net Assets	$ 22,047,318	$ 23,851,663	$ 145,591,412
Total Revenues	$ 22,209,064	$ 21,834,605	$ 1,519,341,871
Total Expenditures	19,133,193	20,642,187	1,541,013,235
Change in Net Position	$ 3,075,871	$ 1,192,418	$ (21,671,364)

The District's share of year-end assets, liabilities, or fund balance has not been calculated by SISC I or SISC II as of June 30, 2015, or by SISC III as of September 30, 2014. SISC I, II, and III issue separate annual financial statements. Copies may be obtained from the SISC office, 1300 17th Street – City Centre, Bakersfield, CA 93303.

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

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

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

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

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

The annual lease payment for the year ending June 30, 2015, amounted to $5,044,495.

Financial information for GESFA was not available at June 30, 2015.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plans	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 8,947,478	$ 731,963	$ 2,203,300	$ 79,577
CalPERS	4,133,194	477,342	1,420,211	(109,986)
Total	$ 13,080,672	$ 1,209,305	$ 3,623,511	$ (30,409)

The details of each plan are as follows:

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in the State Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $731,963 less $427,363 recorded on behalf payments which resulted in a payment of $304,600.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total pension liability	$ 38,111,569
Less: fiduciary net position	29,164,091
Net pension liability of the District	$ 8,947,478

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.015 percent.

For the year ended June 30, 2015, the District recognized pension expense of $79,577. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 731,963	$ -
Difference between projected and actual earnings on pension plan investments	-	2,203,300
Total	$ 731,963	$ 2,203,300

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

Year Ended June 30,	Amortization
2015	$ 550,825
2016	550,825
2017	550,825
2018	550,825
	$ 2,203,300

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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

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

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

Discount Rate

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Discount Rate (Continued)

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

Discount Rate	Amortization
1% decrease (6.60%)	$ 13,946,779
Current discount rate (7.60%)	$ 8,947,478
1% increase (8.60%)	$ 4,778,970

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $477,342.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total pension liability	$ 24,864,038
Less: Plan fiduciary net position	20,730,844
Net pension liability of the District plan	$ 4,133,194

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $4,133,194. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.036 percent.

For the year ended June 30, 2015, the District recognized pension expense of $(109,986). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 477,342	$ -
Difference between projected and actual earnings on pension plan investments	-	1,420,211
Total	$ 477,342	$ 1,420,211

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

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

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

Year Ended June 30,	Amortization
2015	$ 355,053
2016	355,053
2017	355,053
2018	355,053
	$ 1,420,211

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Experience Study	July 1, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.50%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

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

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the SEP fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Amortization
1% decrease (6.50%)	$ 7,250,565
Current discount rate (7.50%)	$ 4,133,194
1% increase (8.50%)	$ 1,528,315

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

Plan Description

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

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

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

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

Plan Description (Continued)

On June 30, 2015, 27 retirees met the eligibility requirements.

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

There are no contributions required from eligible retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2014-15, the District's annual OPEB cost was $604,878. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015, were as follows:

Annual required contribution	$ 632,356
Interest on net OPEB obligation	61,644
Adjustments to annual required contribution	(89,122)
Annual OPEB cost	604,878
Contributions made	(322,854)
Change in net OPEB obligation	282,024
Net OPEB obligation - beginning of year	1,765,653
Net OPEB obligation - end of year	$ 2,047,677

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2015	$ 604,878	$ 322,854	53.38%	$ 2,047,677
2014	604,878	399,425	66.03%	1,765,653
2013	590,373	157,329	26.65%	1,560,200

The District's contributions in fiscal year 2014-15 were based on pay-as-you-go costs.

Funding Policy, Funded Status, and Funding Progress

The District's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed $322,854 to the plan.

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $6,426,159, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $12,273,520 and the ratio of the unfunded actuarial accrued liability to covered payroll was 52.36 percent.

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

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

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

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

Actuarial Methods and Assumptions

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

The actuarial study performed on July 1, 2013, uses a pooled rate method which is a projected unit credit method. The method takes into account those benefits that are expected to be earned in the future as well as those already accrued. The significant actuarial assumptions used to complete the contribution required include a discount rate of 4.0 percent compounded annually, healthcare trend rates ranging from 5.0 to 8.0 percent, and demographic information. The actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest were based on a standard set of actuarial assumptions modified as appropriate for the District. Retirement rates were also based on District experience. Healthcare inflation rates are based on actuarial analysis of recent District experience and actuarial knowledge of the general healthcare environment. The District's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period as of June 30, 2015, was 25 years.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made for the following at July 1, 2014:

Net Position, Beginning, As Previously Reported	$ 60,456,628
Prior Period Adjustment	
To incorporate beginning net net pension liability and related items	
due to GASB Statement No. 68 implementation	
Beginning net pension liability	(16,562,167)
Beginning deferred outflows of resources	997,797
Net Position, Beginning as Restated	$ 44,892,258

REQUIRED SUPPLEMENTARY INFORMATION

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Object) (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
LCFF Sources	$ 41,076,168	$ 41,262,129	$ 41,262,125	$ (4)
Federal Revenues	175,579	184,912	184,912	-
Other State Revenues	482,412	393,210	393,208	(2)
Other Local Revenues	572,284	709,063	709,053	(10)
TOTAL REVENUES	42,306,443	42,549,314	42,549,298	(16)
EXPENDITURES				
Certificated Salaries	7,869,262	8,445,103	8,445,072	31
Classified Salaries	4,061,737	4,565,295	4,565,279	16
Employee Benefits	5,213,827	5,555,813	5,555,542	271
Books and Supplies	3,117,212	2,895,262	2,768,974	126,288
Services and Other Operating Expenditures	2,712,454	2,928,046	2,874,175	53,871
Capital Outlay	2,339,500	1,114,693	701,154	413,539
Other Outgo	10,433,222	24,194,964	4,194,962	20,000,002
TOTAL EXPENDITURES	35,747,214	49,699,176	29,105,158	20,594,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,559,229	(7,149,862)	13,444,140	20,594,002
OTHER FINANCING SOURCES (USES)				
Transfers In	186,000	-	7,149,930	7,149,930
Transfers Out	(1,111,000)	(2,160,374)	(24,985,999)	(22,825,625)
TOTAL OTHER FINANCING SOURCES (USES)	(925,000)	(2,160,374)	(17,836,069)	(15,675,695)
Net Change in Fund Balance	$ 5,634,229	$ (9,310,236)	(4,391,929)	$ 4,918,307
Fund Balance at Beginning of Year			35,704,301	
Fund Balance at End of Year			$ 31,312,372	

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2013	$ -	$ 6,426,159	$ 6,426,159	0.00%	$ 12,273,520	52.36%
7/1/2010	-	5,463,629	5,463,629	0.00%	12,238,972	44.64%
7/1/2007	-	4,138,331	4,138,331	0.00%	12,088,677	34.23%

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHOOLS COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2014
LAST 10 YEARS*

		June 30, 2014
District's proportion of the CalPERS' proportion of the net pension liability		0.0364%
District's proportionate share of the CalPERS' proportionate share of the net pension liability	$	4,133,194
District's covered-employee payroll	$	4,014,490
District's proportionate share of the CalPERS' proportionate share of the net pension liability as a percentage of its covered-employee payroll		102.96%
District's proportionate share of the fiduciary net position	$	20,730,844
District's proportionate share of the fiduciary net position as a percentage of the total pension liability		83.38%

***** Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

Notes to Schedule:

Benefit changes and changes in assumptions

In 2015, there were no changes in assumptions or benefit changes in the current year, as the beginning and end of year total pension liability are both based on the same actuarial valuation. There was no difference between expected and actual experience this year.

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

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHOOLS COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2014
LAST 10 YEARS*

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

***** Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

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

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2014
LAST 10 YEARS*

	June 30, 2014
District's proportion of the CalSTRS' proportion of the net pension liability	0.0153%
District's proportionate share of the CalSTRS' proportionate share of the net pension liability	$ 8,947,478
District's covered-employee payroll	$ 8,233,324
District's proportionate share of the CalSTRS' proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.67%
District's proportionate share of the fiduciary net position	$ 29,164,091
District's proportionate share of the fiduciary net position as a percentage of the total pension liability	76.52%

***** Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

Notes to Schedule:

Benefit changes and changes in assumptions

In 2015, there were no changes in assumptions or benefit changes in the current year, as the beginning and end of year total pension liability are both based on the same actuarial valuation. There was no difference between expected and actual experience this year.

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

TAFT UNION HIGH SCHOOL DISTRICT
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2014
LAST 10 YEARS*

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

***** Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

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

SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Governmental Funds
ASSETS			
Cash in County Treasury	$ 52,976	$ 1,654,230	$ 1,707,206
Cash in Revolving Fund	-	456	456
Accounts Receivable	72	1,409	1,481
Stores Inventory	-	27,688	27,688
TOTAL ASSETS	$ 53,048	$ 1,683,783	$ 1,736,831
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ -	$ 21,177	$ 21,177
TOTAL LIABILITIES	-	21,177	21,177
FUND BALANCES			
Nonspendable			
Revolving Cash	-	456	456
Stores Inventory	-	27,688	27,688
Restricted	-	1,634,462	1,634,462
Assigned	53,048	-	53,048
TOTAL FUND BALANCES	53,048	1,662,606	1,715,654
TOTAL LIABILITIES AND FUND BALANCES	$ 53,048	$ 1,683,783	$ 1,736,831

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2015

	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Governmental Funds
REVENUES			
Other Local Revenues	$ 238	$ 78,791	$ 79,029
TOTAL REVENUES	238	78,791	79,029
EXPENDITURES			
Classified Salaries	-	338,835	338,835
Employee Benefits	-	261,984	261,984
Books and Supplies	-	550,711	550,711
Services and Other Operating Expenditures	-	93,329	93,329
TOTAL EXPENDITURES	-	1,244,859	1,244,859
Excess (Deficiency) of Revenues Over (Under) Expenditures	238	(1,166,068)	(1,165,830)
OTHER FINANCING SOURCES			
Transfers In	-	2,160,373	2,160,373
TOTAL OTHER FINANCING SOURCES	-	2,160,373	2,160,373
Net Change in Fund Balances	238	994,305	994,543
Fund Balances at Beginning of Year	52,810	668,301	721,111
Fund Balances at End of Year	$ 53,048	$ 1,662,606	$ 1,715,654

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2015

	Deferred Maintenance Fund			Cafeteria Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other Local Revenues	$ 238	$ 238	$ -	$ 78,795	$ 78,791	$ (4)
TOTAL REVENUES	238	238	-	78,795	78,791	(4)
EXPENDITURES						
Classified Salaries	-	-	-	338,836	338,835	1
Employee Benefits	-	-	-	261,990	261,984	6
Books and Supplies	-	-	-	550,712	550,711	1
Services and Other Operating Expenditures	-	-	-	93,331	93,329	2
TOTAL EXPENDITURES	-	-	-	1,244,869	1,244,859	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	238	238	-	(1,166,074)	(1,166,068)	6
OTHER FINANCING SOURCES						
Transfers In	-	-	-	2,160,374	2,160,373	(1)
TOTAL OTHER FINANCING SOURCES	-	-	-	2,160,374	2,160,373	(1)
Net Change in Fund Balances	$ 238	238	$ -	$ 994,300	994,305	$ 5
Fund Balances at Beginning of Year		52,810			668,301	
Fund Balances at End of Year		$ 53,048			$ 1,662,606	

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
FOR THE YEAR ENDED JUNE 30, 2015

	Totals		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Other Local Revenues	$ 79,033	$ 79,029	$ (4)
TOTAL REVENUES	79,033	79,029	(4)
EXPENDITURES			
Classified Salaries	338,836	338,835	1
Employee Benefits	261,990	261,984	6
Books and Supplies	550,712	550,711	1
Services and Other Operating Expenditures	93,331	93,329	2
TOTAL EXPENDITURES	1,244,869	1,244,859	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,165,836)	(1,165,830)	6
OTHER FINANCING SOURCES			
Transfers In	2,160,374	2,160,373	(1)
TOTAL OTHER FINANCING SOURCES	2,160,374	2,160,373	(1)
Net Change in Fund Balances	$ 994,538	994,543	$ 5
Fund Balances at Beginning of Year		721,111	
Fund Balances at End of Year		$ 1,715,654	

TAFT UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Cash on Hand and in Banks	$ 302,697	$ 434,418	$ 416,027	$ 321,088
Liabilities				
Due to Student Groups	$ 302,697	$ 434,418	$ 416,027	$ 321,088

TAFT UNION HIGH SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2015

The Taft Union High School District has been in operation since 1911. The Taft Union High School District operates one high school and serves approximately 950 students on the west side of Kern County and draws from five rural elementary school districts – Elk Hills, Midway, McKittrick, Belridge, and Taft City School Districts – covering an area of 362 square miles. The Board of Trustees of the Taft Union High School District for the year ended June 30, 2015, was comprised of the following members:

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

Superintendent
Board Secretary
Blanca Cavazos

Business Manager
Chuck Hagstrom

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Regular	896	887
Continuation Education	53	52
Opportunity Schools and Full-Day Opportunity Classes	17	19
Home and Hospital	1	1
Special Education	22	22
	989	981

Summer School

	Hours of Attendance
High School	51,760

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minimum Minutes Requirements	1986-87* Actual Minutes Reduced	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	60,480	68,445	180	N/A	Complied
Grade 10	64,800	60,480	68,445	180	N/A	Complied
Grade 11	64,800	60,480	68,445	180	N/A	Complied
Grade 12	64,800	60,480	68,445	180	N/A	Complied

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

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
General Fund				
Revenues and Other Financing Sources	$ 38,074,808	$ 49,699,228	$ 26,845,932	$ 50,746,883
Expenditures	36,506,794	29,105,158	32,766,085	31,971,885
Other Uses and Transfers Out	11,186,000	24,985,999	1,637,820	1,000,000
Total Outgo	47,692,794	54,091,157	34,403,905	32,971,885
Change in Fund Balance	(9,617,986)	(4,391,929)	(7,557,973)	17,774,998
Ending Fund Balance	$ 21,694,386	$ 31,312,372	$ 35,704,301	$ 43,262,274
Available Reserves	$ 568,354	$ 434,340	$ 16,151,349	$ 23,883,574
Designated for Economic Uncertainties and Other Designations	$ 568,354	$ 434,340	$ 16,151,349	$ 23,883,574
Available Reserves as a Percentage [2] of Total Outgo	1.2%	0.8%	46.9%	72.4%
Total Long-Term Debt [3]	$ 15,216,159	$ 15,216,159	$ 18,202,690	$ 1,631,898
Average Daily Attendance at P-2	980	989	977	947

The General Fund balance has decreased by $11,949,902 over the past two years. The fiscal year 2015-16 budget projects a decrease of $9,617,986 (30.7%). For a district this size, the State recommends available reserves of at least 4 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit in the 2014-15 fiscal year. The District anticipates having an operating deficit during the 2015-16 fiscal year.

Average daily attendance has increased by 42 over the past two years. A decrease of 9 ADA is anticipated during fiscal year 2015-16.

[1] Budget 2016 is included for analytical purposes only and has not been subject to an audit.

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

[3] Includes net pension liabilities for 2015. The long-term debt obligation has been restated for 2014 due to the implementation of GASB Statement No. 68.

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS REPORT) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Schedule of Long-Term Debt	Schedule of Assets
June 30, 2015, Annual Financial and Budget Report (SACS Report) Balance	$ 87,810	$ 14,036,419
Adjustments and Reclassifications:		
Increasing (Decreasing) the Balance:		
Incorporate the Special Reserve Fund for Other than Capital Outlay and the Special Reserve for Post-Employment Benefits Fund to comply with GASB Statement No. 54	-	-
Removal of assets purchased in fiscal year 2015 but placed in service in fiscal year 2016	-	(382,801)
Net OPEB Obligation - beginning balance	1,765,653	-
OPEB cost less the premiums paid	282,024	-
Net Pension Liability not included	13,080,672	-
June 30, 2015, Audited Financial Statement Balance	$ 15,216,159	$ 13,653,618

	Special Reserve Fund for Other than Capital Outlay	Special Reserve for Post-Employment Benefits Fund	General Fund
June 30, 2015, Annual Financial and Budget Report (SACS Report) Balance	$ 10,687,987	$ 13,089,016	$ 7,535,369
Adjustments and Reclassifications:			
Increasing (Decreasing) the Balance:			
Incorporate the Special Reserve Fund for Other than Capital Outlay and the Special Reserve for Post-Employment Benefits Fund to comply with GASB Statement No. 54	(10,687,987)	(13,089,016)	23,777,003
Removal of assets purchased in fiscal year 2015 but placed in service in fiscal year 2016	-	-	-
Net OPEB Obligation - beginning balance	-	-	-
OPEB cost less the premiums paid	-	-	-
Net Pension Liability not included	-	-	-
June 30, 2015, Audited Financial Statement Balance	$ -	$ -	$ 31,312,372

See accompanying note to supplementary information.

TAFT UNION HIGH SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

A. Local Education Agency Organization Structure

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

D. Schedule of Financial Trends and Analysis

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

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

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

F. Early Retirement Incentive

The District has adopted an early retirement incentive program pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of formal action taken by the District.

Retiree Information

A total of 7 employees retired in exchange for the additional two years of service credit.

			Retired Employee		Replacement Employee (If Applicable)	
Position Vacated	Age	Service Credit	Salary	Benefits	Salary	Benefits
Assistant Principal	63	35.0	$ 116,933	$ 33,256	$ 112,661	$ 32,697
Assistant Principal	62	33.3	122,639	32,225	110,586	32,425
Teacher	49	27.0	105,043	31,700	59,295	25,711
Teacher	63	31.0	108,713	30,604	59,295	25,711
Teacher	62	36.0	105,043	31,700	-	-
Teacher	65	24.0	99,301	30,948	59,295	25,711
Teacher	60	33.5	100,041	31,045	-	-

NOTE 1 – PURPOSE OF SCHEDULES

F. Early Retirement Incentive (Continued)

Additional Costs

As a result of this early retirement inventive program, the District expects to incur $712,493 in additional costs. The breakdown in additional costs is presented below:

Retirement Costs [1] Assistant Principal	$	108,266
Retirement Costs [1] Assistant Principal		113,429
Retirement Costs [1] Teacher		92,891
Retirement Costs [1] Teacher		102,975
Retirement Costs [1] Teacher		102,134
Retirement Costs [1] Teacher		94,935
Retirement Costs [1] Teacher		97,863
Total Additional Costs	$	712,493

[1] Retirement costs include interest expense, if applicable.

OTHER REPORTS

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BROWN ARMSTRONG
Certified Public Accountants

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

Board of Trustees
Taft Union High School District
Taft, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taft Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 15, 2016

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PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Taft Union High School District
Taft, California

Report of the Financial Statements

We have audited the Taft Union High School District's (the District) compliance with the applicable requirements identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

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

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

Description	Procedures Performed
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
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	N/A
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Funding Formula Certification	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes – Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 15, 2016

FINDINGS AND QUESTIONED COSTS SECTION

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

Not applicable in the current year.

II. Findings Relating to Financial Statements Required Under GAGAS

None.

Status of Prior Year Findings and Recommendations

None.

III. Findings and Questioned Costs for Federal Awards

Not applicable in the current year.

Status of Prior Year Findings and Recommendations

None.

IV. Findings Related to Financial Statements Required Under the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*

None.

Status of Prior Year Findings and Recommendations

None.