

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

AUDIT REPORT

JUNE 30, 2017

**SCOTT ERWIN CPA INC
2100 E STREET
BAKERSFIELD, CALIFORNIA 93301**

Introductory Section

Taft Union High School District
 Audit Report
 For The Year Ended June 30, 2017

TABLE OF CONTENTS

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

Taft Union High School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Education Agency Organization Structure.....	54
Schedule of Average Daily Attendance.....	55
Schedule of Instructional Time.....	56
Schedule of Financial Trends and Analysis.....	57
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	58
Schedule of Charter Schools.....	59
Notes to Supplementary Information.....	60
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditor's Report on State Compliance.....	63
Schedule of Findings and Questioned Costs	66
Summary Schedule of Prior Audit Findings.....	67

Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taft Union High School District ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taft Union High School District as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Taft Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of Taft Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taft Union High School District's internal control over financial reporting and compliance.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2017

**TAFT UNION HIGH SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of Taft Union High School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this management's discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- ◆ The District's financial status continues to remain solid. The District is able to meet all of the current needs and maintain a more than adequate reserve. However, deficit spending occurred during the 2016-17 fiscal year and may continue for the next few years. In addition, changes in school finances may also greatly change the current outlook over the course of the next few years.
- ◆ Overall revenues for all governmental activities were \$30,397,408 which is \$11,429,680 less than expenditures totaling \$41,827,088.
- ◆ Long-term debt has increased by \$11,062,681 over the past three years, primarily due to the implementation of GASB Statement No. 68 in fiscal year 2015 and the implementation of GASB Statement No. 74 in fiscal year 2017.
- ◆ Adjustments to prior year estimates related to GASB 68 calculations for CalSTRS and CalPERS resulted in a change to beginning balances related to governmental activities.

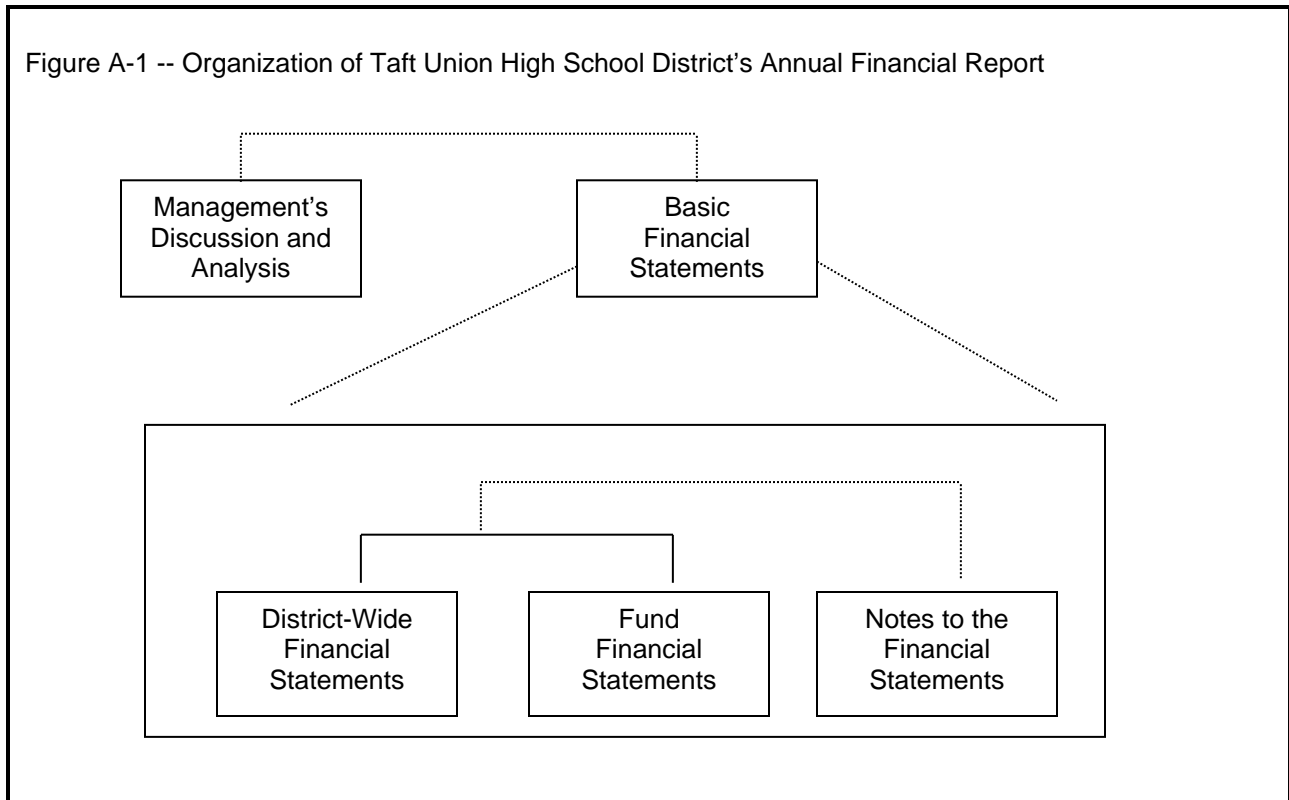
Overview of Financial Statements

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

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



District-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

Net Position: The District's combined net position was \$43,828,685 at June 30, 2017. The District's net position, as restated, decreased by 17.1% or \$9,066,784 over 2016. 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, 2017, and the changes over 2016.

	6/30/2017	6/30/2016	Dollar Change	Percent Change
Current and Other Assets	\$ 57,865,186	\$ 60,497,764	\$ (2,632,578)	-4.4%
Capital Assets	15,389,178	15,494,921	(105,743)	-0.7%
Total Assets	\$ 73,254,364	\$ 75,992,685	\$ (2,738,321)	-3.6%
Deferred Expenses	\$ 3,688,758	\$ 1,687,708	\$ 2,001,050	118.6%
Total Deferred Outflows of Resources	\$ 3,688,758	\$ 1,687,708	\$ 2,001,050	118.6%
Long-Term Liabilities	\$ 29,265,371	\$ 18,875,654	\$ 10,389,717	55.0%
Other Liabilities	3,320,066	4,268,859	(948,793)	-22.2%
Total Liabilities	\$ 32,585,437	\$ 23,144,513	\$ 9,440,924	40.8%
Deferred Revenues	\$ 529,000	\$ 1,640,411	\$ (1,111,411)	-67.8%
Total Deferred Inflows of Resources	\$ 529,000	\$ 1,640,411	\$ (1,111,411)	
Net Position				
Invested in Capital Assets	\$ 14,998,294	\$ 15,494,921	\$ (496,627)	-3.2%
Restricted	47,973,734	48,117,138	(143,404)	-0.3%
Unrestricted	(19,143,343)	(10,716,590)	(8,426,753)	-78.6%
Total Net Position	\$ 43,828,685	\$ 52,895,469	\$ (9,066,784)	17.1%

Changes in Net Position. Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for 2016-17 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 59% 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				
	6/30/2017	6/30/2016	Dollar Change	Percent Change
Net Position Beginning Balance	\$ 52,895,466	\$ 56,647,633	\$ (3,752,167)	-6.62%
Revenue				
General Revenues	\$ 28,717,696	\$ 27,756,283	961,413	3.46%
Program Revenues			-	
Charges for Services	77,700	59,962	17,738	29.58%
Operating Grants & Contributions	1,602,012	2,439,137	(837,125)	-34.32%
Total Revenues	<u>\$ 30,397,408</u>	<u>\$ 30,255,382</u>	<u>\$ 142,026</u>	<u>0.47%</u>
Expenses				
Instruction	\$ 21,398,951	\$ 14,164,159	\$ 7,234,792	51.08%
Instruction-Related Services	3,235,465	1,376,487	1,858,978	135.05%
School Site Administration	-	928,184	(928,184)	-100.00%
Pupil Services	5,021,003	4,660,825	360,178	7.73%
Ancillary Services	1,161,820	1,035,168	126,652	12.23%
General Administration	3,783,331	1,495,393	2,287,938	153.00%
Plant Services	5,111,400	5,359,417	(248,017)	-4.63%
Other Outgo	2,115,118	4,987,916	(2,872,798)	-57.60%
Total Expenses	<u>\$ 41,827,088</u>	<u>\$ 34,007,549</u>	<u>\$ 7,819,539</u>	<u>22.99%</u>
Change in Net Position	\$ (11,429,680)	\$ (3,752,167)	\$ (7,677,513)	-204.62%
Prior Period Adjustment	<u>\$ 2,362,899</u>	<u>\$ -</u>		
End of Year Net Position	\$ 43,828,685	\$ 52,895,466	\$ (9,066,781)	-17.14%

Figure A-2 – Sources of Revenue for 2016-17

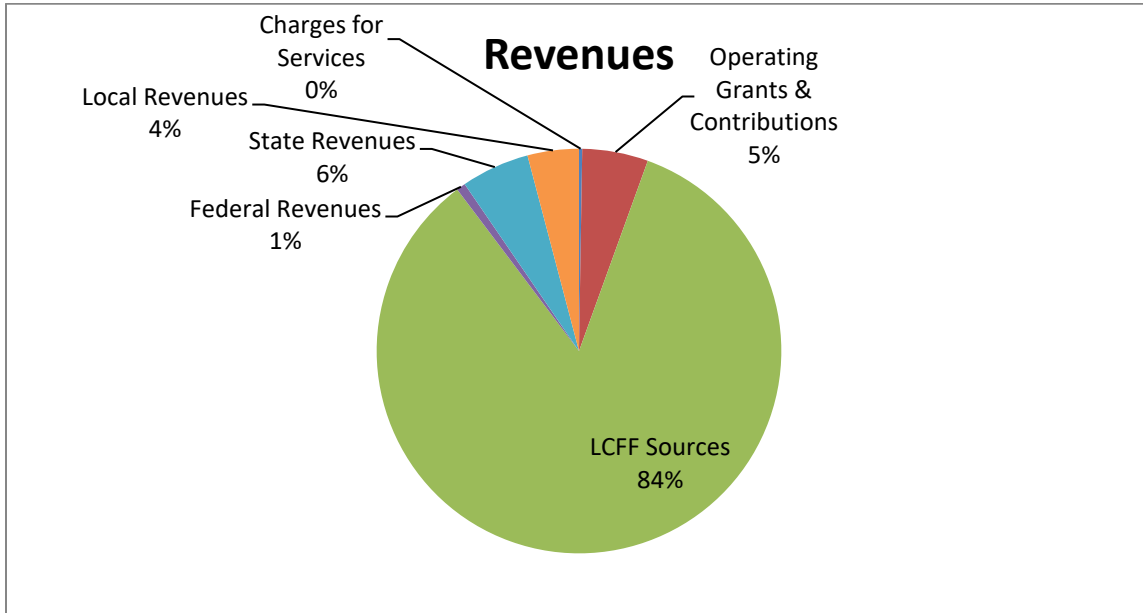


Figure A-3 – Expenses for 2016-17

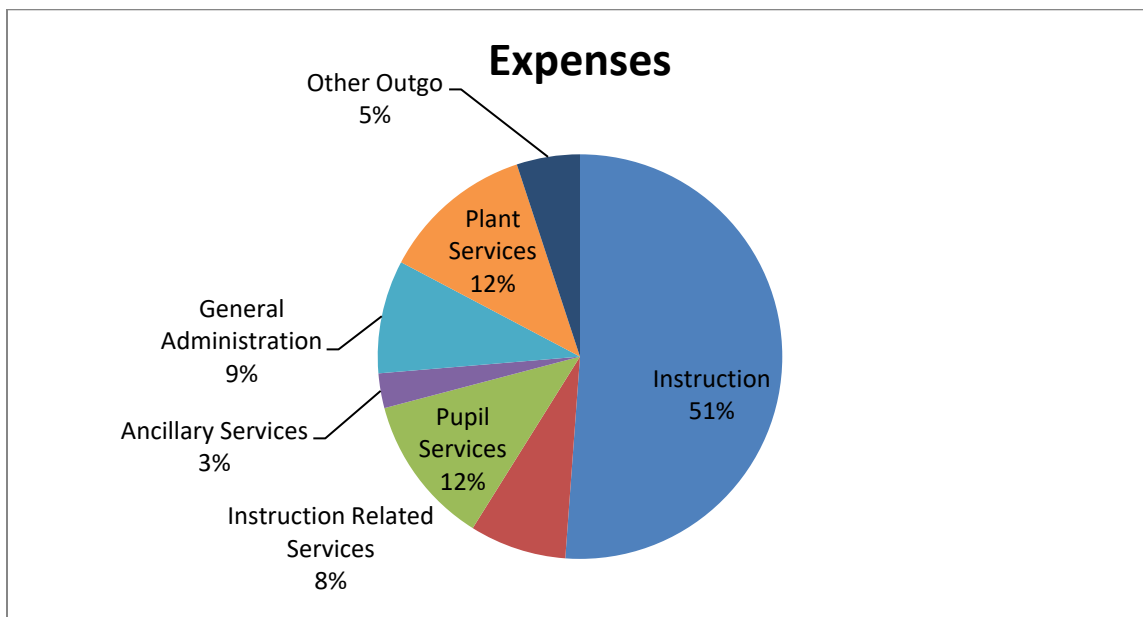


Table A-3 presents the cost of major District activities: Instruction and Instruction-Related Services, Pupil Services, Ancillary Services, General Administration, Plant Services, and Other Outgo. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental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

	Total Cost of Services	Net Cost of Services	Difference
Instruction	\$ 21,398,951	\$ (20,513,616)	\$ 885,335
Instruction-Related Services	3,235,465	(3,079,804)	155,661
Pupil Services	5,021,003	(4,792,697)	228,306
Ancillary Services	1,161,820	(1,100,556)	61,264
General Administration	3,783,331	(3,684,890)	98,441
Plant Services	5,111,400	(4,860,695)	250,705
Other Outgo	2,115,118	(2,115,118)	-
Total Expenses	\$ 41,827,088	\$ (40,147,376)	\$ 1,679,712

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 \$54,545,120. Average Daily Attendance (ADA) is expected to decrease slightly in fiscal year 2017-18. The District expects to maintain a sound financial picture as its reserves continue at healthy levels.

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

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

Capital Assets and Long Term Debt:

Capital Assets

The District has established a \$5,000 threshold for identifying capital assets. Land, buildings and improvements, equipment, and construction in progress are categorized as capital assets. Table A-4 presents these categories (at cost) and the amounts associated less accumulated depreciation and changes that occurred during the year. The total capital assets for governmental activities are \$15,389,178.

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 390,884	\$ 390,884	\$ -	0.00%
Land Improvements	736,134	834,309	(98,175)	-11.77%
Buildings	12,208,922	10,519,561	1,689,361	16.06%
Equipment	1,885,904	1,588,990	296,914	18.69%
Work in Progress	<u>167,334</u>	<u>2,161,177</u>	<u>(1,993,843)</u>	<u>-92.26%</u>
Total Assets	\$ 15,389,178	\$ 15,494,921	\$ (105,743)	-0.68%

Long-Term Debt

At year-end, the District had \$9,136,539 outstanding in other postemployment benefits other than pension benefits (OPEB), \$98,832 outstanding in compensated absences, and \$20,030,000 in net pension liability, as shown in Table A-5.

	<u>2016-217</u>	<u>2015-2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Net Pension Liability	\$ 20,030,000	\$ 16,839,956	\$ 3,190,044	18.94%
Net OPEB Obligation	9,136,539	1,928,868	7,207,671	373.67%
Compensated Absences	<u>98,832</u>	<u>106,830</u>	<u>(7,998)</u>	<u>-7.49%</u>
Total Long Term Debt	\$ 29,265,371	\$ 18,875,654	\$ 10,389,717	55.04%

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 2017-18 budget year appropriations in order to be able to continue to meet its current and future needs. The District currently has a 5.2% reserve, which is 1.2% 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.

Basic Financial Statements

TAFT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 26,858,292
Cash in Revolving Fund	75,456
Investments	30,609,166
Accounts Receivable	290,109
Stores Inventories	32,163
Capital Assets:	
Land	390,884
Land Improvements, Net	736,134
Buildings, Net	12,208,922
Equipment, Net	1,885,904
Work in Progress	167,334
Total Assets	<u>73,254,364</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Expenses	3,688,758
Total Deferred Outflows of Resources	<u>3,688,758</u>
LIABILITIES:	
Accounts Payable	3,028,504
Unearned Revenue	291,562
Noncurrent Liabilities:	
Net Pension Liability	20,030,000
Other Postemployment Benefit Obligation	9,136,539
Due in more than one year	98,832
Total Liabilities	<u>32,585,437</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenues	529,000
Total Deferred Inflows of Resources	<u>529,000</u>
NET POSITION:	
Net Investment in Capital Assets	14,998,294
Restricted For:	
Capital Projects	27,973,734
Other Purposes	20,000,000
Unrestricted	(19,143,343)
Total Net Position	<u>\$ 43,828,685</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	\$ 21,398,951	\$ 7,910	\$ 877,425	\$ (20,513,616)
Instruction-Related Services	3,235,465	1,389	154,272	(3,079,804)
Pupil Services	5,021,003	59,776	168,530	(4,792,697)
Ancillary Services	1,161,820	547	60,717	(1,100,556)
General Administration	3,783,331	879	97,562	(3,684,890)
Plant Services	5,111,400	7,199	243,506	(4,860,695)
Other Outgo	2,115,118	--	--	(2,115,118)
Total Governmental Activities	<u>41,827,088</u>	<u>77,700</u>	<u>1,602,012</u>	<u>(40,147,376)</u>
Total Primary Government	<u>\$ 41,827,088</u>	<u>\$ 77,700</u>	<u>\$ 1,602,012</u>	<u>(40,147,376)</u>
General Revenues:				
LCFF Sources				25,592,081
Federal Revenues				219,728
State Revenues				1,659,025
Local Revenues				1,246,862
Total General Revenues				<u>28,717,696</u>
Change in Net Position				<u>(11,429,680)</u>
Net Position - Beginning				52,895,466
Prior Period Adjustment				2,362,899
Net Position - Ending				<u>\$ 43,828,685</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 16,239,662	\$ 10,124,692	\$ 493,938	\$ 26,858,292
Cash in Revolving Fund	75,000	--	456	75,456
Investments	12,790,985	17,818,181	--	30,609,166
Accounts Receivable	258,294	30,861	954	290,109
Stores Inventories	--	--	32,163	32,163
Total Assets	<u>29,363,941</u>	<u>27,973,734</u>	<u>527,511</u>	<u>57,865,186</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 3,006,344	\$ --	\$ 22,160	\$ 3,028,504
Unearned Revenue	291,562	--	--	291,562
Total Liabilities	<u>3,297,906</u>	<u>--</u>	<u>22,160</u>	<u>3,320,066</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	75,000	--	455	75,455
Stores Inventories	--	--	32,163	32,163
Restricted Fund Balances	420,022	--	418,744	838,766
Assigned Fund Balances	24,023,388	27,973,734	53,989	52,051,111
Unassigned:				
Reserve for Economic Uncertainty	1,547,625	--	--	1,547,625
Total Fund Balance	<u>26,066,035</u>	<u>27,973,734</u>	<u>505,351</u>	<u>54,545,120</u>
Total Liabilities and Fund Balances	<u>\$ 29,363,941</u>	<u>\$ 27,973,734</u>	<u>\$ 527,511</u>	<u>\$ 57,865,186</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances - governmental funds balance sheet	\$ 54,545,120
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	15,389,178
Payables for compensated absences which are not due in the current period are not reported in the funds.	(98,832)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(9,136,539)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(20,030,000)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(529,000)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	<u>3,688,758</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 43,828,685</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 10,091,036	\$ --	\$ --	\$ 10,091,036
Education Protection Account Funds	6,405,303	--	--	6,405,303
Local Sources	9,095,742	--	--	9,095,742
Federal Revenue	417,695	--	--	417,695
Other State Revenue	1,598,070	--	--	1,598,070
Other Local Revenue	1,199,098	56,598	68,866	1,324,562
Total Revenues	<u>28,806,944</u>	<u>56,598</u>	<u>68,866</u>	<u>28,932,408</u>
Expenditures:				
Current:				
Instruction	13,732,493	--	--	13,732,493
Instruction - Related Services	2,802,913	--	--	2,802,913
Pupil Services	3,081,756	--	1,347,837	4,429,593
Ancillary Services	1,049,359	--	--	1,049,359
General Administration	1,783,470	--	--	1,783,470
Plant Services	4,333,944	--	123,624	4,457,568
Other Outgo	2,115,118	--	--	2,115,118
Capital Outlay	417,544	--	92,400	509,944
Total Expenditures	<u>29,316,597</u>	<u>--</u>	<u>1,563,861</u>	<u>30,880,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(509,653)</u>	<u>56,598</u>	<u>(1,494,995)</u>	<u>(1,948,050)</u>
Other Financing Sources (Uses):				
Transfers In	775,000	--	921,275	1,696,275
Transfers Out	(1,496,275)	(200,000)	--	(1,696,275)
Total Other Financing Sources (Uses)	<u>(721,275)</u>	<u>(200,000)</u>	<u>921,275</u>	<u>--</u>
Net Change in Fund Balance	(1,230,928)	(143,402)	(573,720)	(1,948,050)
Fund Balance, July 1	27,032,695	28,117,136	1,079,071	56,228,902
Prior Period Adjustment	264,268	--	--	264,268
Fund Balance, June 30	<u>\$ 26,066,035</u>	<u>\$ 27,973,734</u>	<u>\$ 505,351</u>	<u>\$ 54,545,120</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ (1,948,050)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	863,182
The depreciation of capital assets used in governmental activities is not reported in the funds.	(968,925)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(7,207,671)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	7,998
Deferred Resource Outflows related to the pension plans are not reported in the funds.	2,322,786
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(529,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	<u>(3,970,000)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>(11,429,680)</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS:	
Cash in County Treasury	\$ 4,758,867
Cash on Hand and in Banks	276,183
Total Assets	<u>5,035,050</u>
LIABILITIES:	
Due to Student Groups/Other Agencies	\$ 5,035,050
Total Liabilities	<u>5,035,050</u>
NET POSITION:	
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The District reports the following major governmental funds:

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

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

The District reports the following non-major governmental funds:

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

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

d. Receivable and Payable Balances

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

Accounts receivable as of June 30, 2017, consist of the following:

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
LCFF Sources	\$ --	\$ --	\$ --	\$ --
Federal Government	104,353	--	--	104,353
Other State Revenue	50,079	--	--	50,079
Other Local Revenue	103,862	30,861	954	135,677
Totals	<u>\$ 258,294</u>	<u>\$ 30,861</u>	<u>\$ 954</u>	<u>\$ 290,109</u>

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

e. Compensated Absences

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

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

f. Unearned Revenue

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

5. Deferred Inflows and Deferred Outflows of Resources

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

6. GASB 54 Fund Presentation

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

7. Pensions

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

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

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

8. Use of Estimates

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

9. Fair Value Measurements

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

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

10. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2017.

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No 50, Pension Disclosures.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District has adopted the provisions of GASB Statement No. 74 effective for the year ending June 30, 2017.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the year ending June 30, 2017.

GASB Statement No. 79 - Certain External Investment Pools and Pool Participants

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the year ending June 30, 2017.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts to be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

B. CASH AND INVESTMENTS

Cash, deposits, and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position	<u>June 30, 2017</u>
Cash in County Treasury	\$ 28,858,292
Cash in Revolving Fund	75,456
Investments	<u>30,609,166</u>
Total Government Funds	<u>\$ 59,542,914</u>
Statement of Fiduciary Net Position	
Cash in County Treasury	\$ 4,758,867
Cash in Banks	<u>276,183</u>
Total Fiduciary Funds	<u>\$ 5,035,050</u>
Total District Cash, Deposits, & Investments	<u><u>\$ 64,577,964</u></u>

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool (\$26,858,292 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$26,858,292. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$0 as of June 30, 2017) and in the revolving fund (\$75,456) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Money Market Account	\$ 386,365
Fixed Income Securities	30,222,801
Total Investments	<u><u>\$ 30,609,166</u></u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

4. Investment Accounting Policy

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 in conformity with GASB Statement No. 31 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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:

Investment Type	Amount	Exempt from Disclosure	Rating as of Year-End		
			AA	A	Not Rated
Money Market Mutual Funds	\$ 386,365	\$ --	\$ --	\$ --	\$ 386,365
US Government Securities	17,112,818	--	17,112,818	--	--
Corporate Bonds *	11,459,915	--	4,053,025	7,406,890	--
Certificates of Deposit	1,650,068	1,650,068	--	--	--
Totals	\$ 30,609,166	\$ 1,650,068	\$ 21,165,843	\$ 7,406,890	\$ 386,365

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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.

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:

Investment Type	Amount	12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Mutual Funds	\$ 386,365	\$ 386,365	--	\$ --	\$ --
US Government Securities	17,112,818	501,720	7,844,221	8,766,877	--
Corporate Bonds	11,459,915	--	7,406,045	4,053,870	--
Certificates of Deposit	1,650,068	--	737,542	912,526	--
Totals	\$ 30,609,166	\$ 888,085	\$ 15,987,808	\$ 13,733,273	\$ --

e. Foreign Currency Risk

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 390,884	\$ --	\$ --	\$ 390,884
Work in progress	2,161,177	153,061	2,146,904	167,334
Total capital assets not being depreciated	<u>2,552,061</u>	<u>153,061</u>	<u>2,146,904</u>	<u>558,218</u>
Capital assets being depreciated:				
Buildings	17,470,446	2,065,215	--	19,535,661
Improvements	2,816,567	3,468	--	2,820,035
Equipment	9,956,311	788,342	266,557	10,478,096
Total capital assets being depreciated	<u>30,243,324</u>	<u>2,857,025</u>	<u>266,557</u>	<u>32,833,792</u>
Less accumulated depreciation for:				
Buildings	(6,950,885)	--	375,854	(7,326,739)
Improvements	(1,982,258)	--	101,643	(2,083,901)
Equipment	(8,367,321)	266,557	491,428	(8,592,192)
Total accumulated depreciation	<u>(17,300,464)</u>	<u>266,557</u>	<u>968,925</u>	<u>(18,002,832)</u>
Total capital assets being depreciated, net	<u>12,942,860</u>	<u>3,123,582</u>	<u>1,235,482</u>	<u>14,830,960</u>
Governmental activities capital assets, net	<u>\$ 15,494,921</u>	<u>\$ 3,276,643</u>	<u>\$ 3,382,386</u>	<u>\$ 15,389,178</u>

Depreciation was charged to functions as follows:

Instruction	\$ 70,086
Instructional Library, Media and Technology	61,106
Transportation	59,486
Food Services	29,276
Pupil Services	3,010
Ancillary Services	53,514
General Administration	4,928
Centralized Data Processing	2,411
Plant Services	685,108
	<u>\$ 968,925</u>

D. INTERFUND BALANCES AND ACTIVITIES

1. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Cafeteria Fund	\$ 921,275	Supplement other funds sources
Capital Outlay Fund	General Fund	200,000	Supplement other funds sources
General Fund	General Fund	575,000	Supplement other funds sources
	Total	<u>\$ 1,696,275</u>	

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

E. LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	106,830	--	7,998	98,832	--
Total governmental activities	\$ 106,830	\$ --	\$ 7,998	\$ 98,832	\$ --

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General, Cafeteria

F. JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

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

G. PENSION PLANS

1. General Information About the Pension Plans

a. Plan Descriptions

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date) the State contributed 5.400% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the fiscal year ending June 30, 2016 was:

Year Ended June 30,	Contribution Rate	Contribution Amount
2017	5.400%	\$ 309,676

d. Contributions Recognized

For the year ended June 30, 2017, the contributions recognized for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,272,344	\$ 660,182	\$ 1,932,526
Contributions - State On Behalf Payments	309,676	--	309,676
Total Contributions	<u>\$ 1,582,020</u>	<u>\$ 660,182</u>	<u>\$ 2,242,202</u>

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 12,911,000
CalPERS	7,119,000
Total Net Pension Liability	<u>\$ 20,030,000</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion June 30, 2016	0.0170%	0.0366%
Proportion June 30, 2017	0.0160%	0.0360%
Change - Increase (Decrease)	<u>-0.0010%</u>	<u>-0.0006%</u>

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Total Pension Expense	\$ 5,107,329	2,532,319	\$ 7,639,648

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,688,758	\$ --
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	--	(529,000)
Net difference between projected and actual earnings on plan investments	--	--
Total	<u>\$ 3,688,758</u>	<u>\$ (529,000)</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

\$922,190 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2018	\$ 922,190	\$ (132,250)	\$ 789,940
2019	922,189	(132,250)	789,939
2020	922,190	(132,250)	789,940
2021	922,189	(132,250)	789,939
2022	--	--	--
Thereafter	--	--	--
Total	<u>\$ 3,688,758</u>	<u>\$ (529,000)</u>	<u>\$ 3,159,758</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date Measurement Date Actuarial Cost Method Actuarial Assumptions:	CalSTRS	CalPERS
	June 30, 2015 June 30, 2016	June 30, 2015 June 30, 2016
	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Discount Rate	7.60%	7.65%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	0.001%-0.46% (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.600% for CalSTRS and 7.650% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

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

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

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

CalSTRS		
Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS			
Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

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

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

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

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

	CalSTRS	CalPERS
1% Decrease Net Pension Liability	\$ 14,174,591	\$ 7,815,391
Current Discount Rate Net Pension Liability	\$ 12,911,000	\$ 7,119,000
1% Increase Net Pension Liability	\$ 11,770,214	\$ 6,490,259

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

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

H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

1. Plan Description

a. Plan Administration

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

b. Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefits:	36
Inactive Plan members entitled to but not yet receiving benefits:	--
Active Plan members:	30
	<u>66</u>

c. Benefits Provided

The District provides healthcare and vision benefits for retirees and their dependents, consistent with the plan commitments and current District benefits. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Board has the authority to establish and amend the benefit terms to the Plan.

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 five 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 retired on or after age 60 and 10 years of service. Coverage for retirees is until age 65.

2. Contributions

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current contribution rate is 4.3% of annual covered payroll.

3. Investments

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

The District does have a Special Reserve Fund for Post-Employment Benefits, which is combined with the General Fund for financial statement presentation purposes. This fund does not qualify as a trust that can be counted for GASB 45 purposes. However, within the most recent actuarial study completed January 21, 2014, the actuaries disclosed their belief that the fund is sufficient to cover all current and future benefits on a closed-group basis (excluding a small implicit subsidy which need not be pre-funded), and recommended that the District suspend contributions to this fund until further notice.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

4. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$ 9,136,539
Plan Fiduciary Net Position	
District's Net OPEB Liability	<u>\$ 9,136,539</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered Payroll	\$ 14,736,229
District's net OPEB liability as a percentage of covered payroll	62.0%

5. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.0%
Ultimate Trend Rate	Not provided
Healthcare Trend Rates	8.0% for 2013, decreasing 1% per year to an ultimate rate of 5% for 2016 and later years
Age-Adjustment Factor	Not provided
Cap Inflation (Full Inflation)	Not provided
Mortality Rates	Vary dependent on age and gender

6. Discount Rate

The discount rate used to measure the total OPEB liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1% Decrease 3.0%	Discount Rate 4.0%	1% Increase 5.0%
Net OPEB Liability (Asset)	\$ <u>12,208,580</u>	\$ <u>9,136,539</u>	\$ <u>6,856,507</u>

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

I. COMMITMENTS AND CONTINGENCIES

Litigation

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

The District has property tax appeals with an estimated tax liability including accrued interest of \$6,372,228 as of June 30, 2016. The District has impounded \$4,758,867 to partially cover this contingent liability at June 30, 2017.

State and Federal Allowances, Awards, and Grants

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

J. PRIOR PERIOD ADJUSTMENT

1. Governmental Activities Prior Period Adjustment

Adjustments to prior year estimates related to GASB 68 calculations for CalSTRS and CalPERS resulted in the following changes to beginning balances related to governmental activities, but not reported in the governmental funds:

Deferred Inflows	\$	1,640,411
CalSTRS Liability		698,080
CalPERS Liability		81,876
Deferred Outflows		(321,736)
Unrestricted Net Position	\$	<u>2,098,631</u>

2. General Fund Prior Period Adjustment

The General Fund had a Prior Period Adjustment to clear stale-dated Accounts Payable balances:

Accounts Payable	\$	<u>264,268</u>
------------------	----	----------------

3. Total Effect on Financial Statements

The total Prior Period Adjustment effect on the Financial Statements is:

	\$	<u>2,362,899</u>
--	----	------------------

K. SUBSEQUENT EVENTS

New Accounting Pronouncements

GASB Statement No. 75

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The District will adopt the provisions of GASB Statement No. 75 effective for the 2017-18 fiscal year.

Required Supplementary Information

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

TAFT UNION HIGH SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 14,986,456	\$ 10,091,037	\$ 10,091,036	\$ (1)
Education Protection Account Funds	--	6,405,303	6,405,303	--
Local Sources	10,975,456	9,095,746	9,095,742	(4)
Federal Revenue	410,281	417,696	417,695	(1)
Other State Revenue	319,412	1,598,070	1,598,070	--
Other Local Revenue	179,284	1,199,104	1,199,098	(6)
Total Revenues	<u>26,870,889</u>	<u>28,806,956</u>	<u>28,806,944</u>	<u>(12)</u>
Expenditures:				
Current:				
Certificated Salaries	8,980,901	9,273,127	9,273,080	47
Classified Salaries	5,137,183	5,088,621	5,088,590	31
Employee Benefits	6,226,528	6,614,153	6,613,752	401
Books And Supplies	1,928,663	2,699,918	2,699,842	76
Services And Other Operating Expenditures	2,431,334	3,108,733	3,108,671	62
Other Outgo	2,284,000	2,115,118	2,115,118	--
Capital Outlay	202,440	417,549	417,544	5
Total Expenditures	<u>27,191,049</u>	<u>29,317,219</u>	<u>29,316,597</u>	<u>622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(320,160)</u>	<u>(510,263)</u>	<u>(509,653)</u>	<u>610</u>
Other Financing Sources (Uses):				
Transfers In	1,006,986	775,000	775,000	--
Transfers Out	<u>(500,000)</u>	<u>(1,496,276)</u>	<u>(1,496,275)</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>506,986</u>	<u>(721,276)</u>	<u>(721,275)</u>	<u>1</u>
Net Change in Fund Balance	186,826	(1,231,539)	(1,230,928)	611
Fund Balance, July 1	27,296,963	27,296,963	27,032,695	(264,268)
Prior Period Adjustment	--	--	264,268	264,268
Fund Balance, June 30	<u>\$ 27,483,789</u>	<u>\$ 26,065,424</u>	<u>\$ 26,066,035</u>	<u>\$ 611</u>

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

	Fiscal Year		
	2017	2016	2015
District's proportion of the net pension liability (asset)	0.016%	0.017%	0.015%
District's proportionate share of the net pension liability (asset)	\$ 10,383,708	\$ 9,156,064	\$ 7,157,982
State's proportionate share of the net pension liability (asset) associated with the District	2,527,292	2,289,016	1,789,496
Total	<u>\$ 12,911,000</u>	<u>\$ 11,445,080</u>	<u>\$ 8,947,478</u>
District's covered-employee payroll	\$ 9,273,085	\$ 8,072,495	\$ 8,233,324
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	111.98%	113.42%	86.94%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.00%	77.00%

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

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

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

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

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

	Fiscal Year		
	2017	2016	2015
District's proportion of the net pension liability (asset)	0.036%	0.037%	0.036%
District's proportionate share of the net pension liability (asset)	\$ <u>7,119,000</u>	\$ <u>5,394,876</u>	\$ <u>4,133,194</u>
District's covered-employee payroll	\$ 5,463,144	\$ 4,333,405	\$ 4,014,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	130.31%	124.50%	102.96%
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.40%	83.38%

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

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

	Fiscal Year		
	2017	2016	2015
Contractually required contribution	\$ 660,182	\$ 477,342	\$ 438,014
Contributions in relation to the contractually required contribution	(660,182)	(477,342)	(438,014)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 5,463,144	\$ 4,333,405	\$ 4,014,490
Contributions as a percentage of covered-employee payroll	12.08%	11.02%	10.91%

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

TAFT UNION HIGH SCHOOL DISTRICT

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

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

Notes to Schedule:

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

TAFT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

RETIREE BENEFIT PLAN

LAST TEN FISCAL YEARS *

	Fiscal Year	
	2017	2016
Actuarially determined contribution	\$ 632,356	\$ 632,356
Contributions in relation to the actuarially determined contribution	(715,682)	(723,687)
Contribution deficiency (excess)	<u>\$ (83,326)</u>	<u>\$ (91,331)</u>
Covered-employee payroll	\$ 14,736,229	\$ 12,405,900
Actual contributions as a percentage of covered-employee payroll	4.86%	5.83%

Notes to Schedule

Valuation date: July 1, 2013

The updated actuarial report provided by the District, dated January 21, 2014, was prepared in accordance with the GASB 45 Actuarial Valuation Method. Not all information required by GASB 74 regarding methods and assumptions used to determine contribution rates was available.

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

TAFT UNION HIGH SCHOOL DISTRICT

CAFETERIA FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other Local Revenue	\$ 68,299	\$ 68,296	\$ (3)
Total Revenues	<u>68,299</u>	<u>68,296</u>	<u>(3)</u>
Expenditures:			
Current:			
Classified Salaries	374,554	374,553	1
Employee Benefits	289,818	289,812	6
Books And Supplies	602,764	602,763	1
Services And Other Operating Expenditures	204,337	204,333	4
Capital Outlay	92,401	92,400	1
Total Expenditures	<u>1,563,874</u>	<u>1,563,861</u>	<u>13</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,495,575)</u>	<u>(1,495,565)</u>	<u>10</u>
Other Financing Sources (Uses):			
Transfers In	921,276	921,275	(1)
Total Other Financing Sources (Uses)	<u>921,276</u>	<u>921,275</u>	<u>(1)</u>
Net Change in Fund Balance	(574,299)	(574,290)	9
Fund Balance, July 1	1,025,652	1,025,652	--
Fund Balance, June 30	<u>\$ 451,353</u>	<u>\$ 451,362</u>	<u>\$ 9</u>

TAFT UNION HIGH SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 570	\$ 570	\$ --
Total Revenues	<u>570</u>	<u>570</u>	<u>--</u>
Expenditures:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>570</u>	<u>570</u>	<u>--</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	570	570	--
Fund Balance, July 1	53,419	53,419	--
Fund Balance, June 30	<u>\$ 53,989</u>	<u>\$ 53,989</u>	<u>\$ --</u>

TAFT UNION HIGH SCHOOL DISTRICT
 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 56,598	\$ 56,598	\$ --
Total Revenues	<u>56,598</u>	<u>56,598</u>	<u>--</u>
Expenditures:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>56,598</u>	<u>56,598</u>	<u>--</u>
Other Financing Sources (Uses):			
Transfers Out	(200,000)	(200,000)	--
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>--</u>
Net Change in Fund Balance	(143,402)	(143,402)	--
Fund Balance, July 1	28,117,136	28,117,136	--
Fund Balance, June 30	<u>\$ 27,973,734</u>	<u>\$ 27,973,734</u>	<u>\$ --</u>

Other Supplementary Information

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

TAFT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2017

The Taft Union High School District has been in operation since 1911. The Taft Union High School District operates one high school and serves approximately 950 students on the west side of Kern County and draws from five rural elementary school districts - Elk Hills, Midway, McKittrick, Belridge, and Taft City School Districts - covering an area of 362 square miles. The Board of Trustees of the Taft Union High School District, for the year ending June 30, 2017, was comprised of the following members:

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Paul Linder	President	December 2018
Julie Ortlieb	Clerk	December 2018
Rick Twisselman	Member	December 2018
John Kopp	Member	December 2020
Wendy Berry	Member	December 2020

Administration

Superintendent
Board Secretary
Blanca Cavazos

Business Manager
Chuck Hagstrom

TAFT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2017

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 9-12:				
Regular ADA	959	N/A	956	N/A
Extended Year Special Education	1	N/A	1	N/A
Nonpublic, Nonsectarian Schools	--	N/A	--	N/A
Extended Year - Nonpublic	--	N/A	--	N/A
Grades 9-12 Totals	<u>960</u>	<u>N/A</u>	<u>957</u>	<u>N/A</u>
ADA Totals	<u>960</u>	<u>N/A</u>	<u>957</u>	<u>N/A</u>

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

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

TAFT UNION HIGH SCHOOL DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	64,800	--	67,600	180	--	Complied
Grade 10	64,800	--	67,600	180	--	Complied
Grade 11	64,800	--	67,600	180	--	Complied
Grade 12	64,800	--	67,600	180	--	Complied

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

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

TAFT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2017

General Fund	Budget 2018 (see note 1)	2017	2016	2015
Revenues and other financial sources	\$ 31,842,927	\$ 28,806,944	\$ 38,154,924	\$ 49,699,228
Expenditures	32,784,341	29,316,597	31,772,294	29,105,158
Other uses and transfers out	1,524,060	721,275	10,662,307	24,985,999
Total outgo	34,308,401	30,037,872	42,434,601	54,091,157
Prior Period Adjustment	--	264,268	--	--
Change in fund balance (deficit)	(2,465,474)	(966,660)	(4,279,677)	(4,391,929)
Ending fund balance	<u>\$ 23,600,561</u>	<u>\$ 26,066,035</u>	<u>\$ 27,032,695</u>	<u>\$ 31,312,372</u>
Available reserves (see note 2)	<u>\$ 1,494,211</u>	<u>\$ 1,547,625</u>	<u>\$ 1,710,029</u>	<u>\$ 434,340</u>
Available reserves as a percentage of total outgo	<u>4.4%</u>	<u>5.2%</u>	<u>4.0%</u>	<u>0.8%</u>
Total long-term debt	<u>\$ 29,166,539</u>	<u>\$ 29,265,371</u>	<u>\$ 18,875,654</u>	<u>\$ 15,216,159</u>
Average daily attendance at P-2	<u>988</u>	<u>960</u>	<u>972</u>	<u>989</u>

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

The fund balance of the General Fund has decreased by \$5,246,337 (16.76%) over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$2,465,474 (9.46%). For a district of this size, the State recommends available reserves of the greater of \$55,000 or four percent of total General Fund expenditures, transfers out and other uses (total outgo).

The District has operated at a deficit for the past three years, and projects a deficit during the 2017-2018 fiscal year. Total long-term debt has increased by \$14,049,212 over the past two years.

Average daily attendance has decreased by 29 over the past two years. An increase of 28 ADA is anticipated during the fiscal year 2017-2018.

NOTES:

- 1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

TAFT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Non-Capital Outlay Fund</u>	<u>Post Employment Benefits Fund</u>
June 30, 2017, annual financial and budget report fund balances	\$ --	\$ 718,393	\$ 12,804,995
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Cash in County Treasury	728,702	(716,247)	(12,455)
Investments	12,790,985	--	(12,790,985)
Accounts Receivable	<u>3,701</u>	<u>(2,146)</u>	<u>(1,555)</u>
Net adjustments and reclassifications	<u>13,523,388</u>	<u>(718,393)</u>	<u>(12,804,995)</u>
June 30, 2017, audited financial statement fund balances	<u>\$ 13,523,388</u>	<u>\$ --</u>	<u>\$ --</u>

	<u>Non-Current Liabilities</u>
June 30, 2017, annual financial and budget report total liabilities	\$ <u>98,832</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net Pension Liability	20,030,000
Net OPEB Liability	<u>9,136,539</u>
Net adjustments and reclassifications	<u>29,166,539</u>
June 30, 2017, audited financial statement total liabilities	<u>\$ 29,265,371</u>

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

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

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

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

TAFT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NOTE 1 - Early Retirement Incentive Program

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

Other Independent Auditor's Reports



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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taft Union High School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Taft Union High School District's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2017



Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

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

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

Opinion on State Compliance

In our opinion, Taft Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2017

Findings and Recommendations Section

TAFT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Not Applicable

3. State Awards

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

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

Not Applicable

D. State Award Findings and Questioned Costs

None

TAFT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings for year ending June 30, 2016.		