

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

**AUDIT REPORT**

**JUNE 30, 2019**

## Introductory Section

Taft Union High School District  
Audit Report  
For The Year Ended June 30, 2019

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## 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, 2019, 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Taft Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2018-19 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 15, 2019 on our consideration of Taft Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taft Union High School District's internal control over financial reporting and compliance.

Respectfully submitted,

*Scott Erwin CPA*

SCOTT ERWIN CPA INC  
Bakersfield, CA  
December 15, 2019

**TAFT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2018-19 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 \$29,975,576 which is \$6,479,433 less than expenditures totaling \$36,455,009.
- ◆ Long-term debt has decreased by \$2,166,366 over the year.

**Overview of Financial Statements**

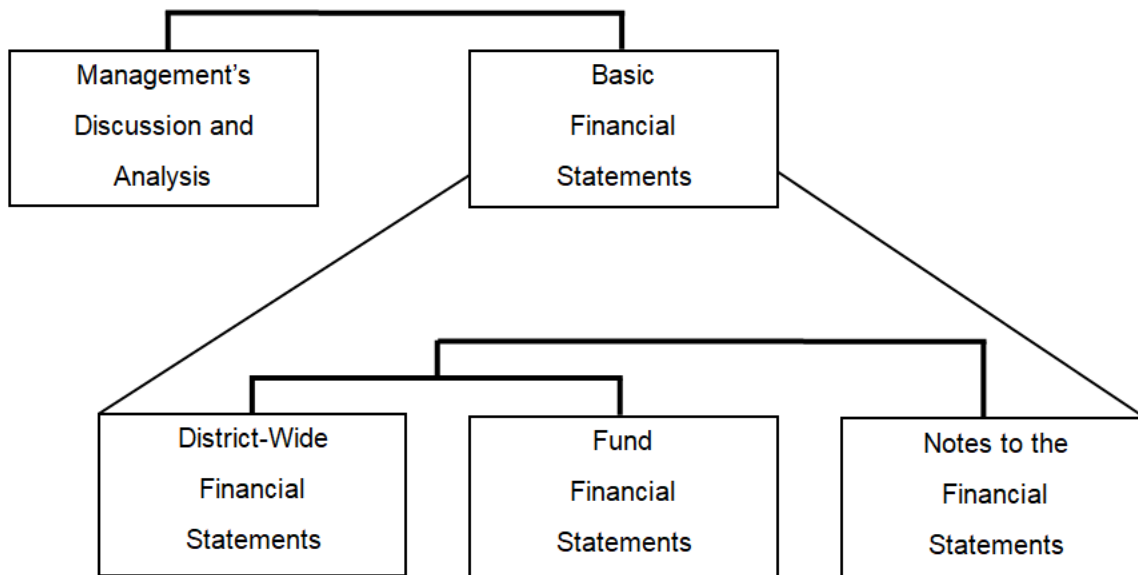
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

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

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

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

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



### **District-Wide Statements**

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

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

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

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

## Fund Financial Statements

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

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

**Net Position:** The District's combined net position was \$33,296,057 at June 30, 2019. The District's net position, as restated, decreased by 16.3% or \$6,479,432 over 2018. 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, 2019, and the changes over 2018.

<b>Table 1</b> <b>Taft Union High School District</b> <b>Statement of Net Position</b>		
	6/30/2019	6/30/2018
<b>Assets</b>		
Current and Other Assets	\$ 46,293,983	\$ 55,407,406
Capital Assets	18,586,877	17,782,775
<b>Total Assets</b>	<b>\$ 64,880,860</b>	<b>\$ 73,190,181</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 1,855,832</b>	<b>\$ 2,469,309</b>
<b>Liabilities</b>		
Long-Term Liabilities	\$ 29,221,786	\$ 31,388,152
Other Liabilities	3,472,849	3,750,849
<b>Total Liabilities</b>	<b>\$ 32,694,635</b>	<b>\$ 35,139,001</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 746,000</b>	<b>\$ 745,000</b>
<b>Net Position</b>		
Net Investment In Capital Assets	\$ 18,465,697	\$ 17,391,892
Restricted	154,019	46,886,138
Unrestricted	14,272,887	(24,502,540)
<b>Total Net Position</b>	<b>\$ 32,892,603</b>	<b>\$ 39,775,490</b>

**Changes in Net Position.** Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for 2018-19 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 32.4% of the total expenses.

<b>Table 2</b> <b>Taft Union High School District</b> <b>Change in Net Position</b>		
	<b>6/30/2019</b>	<b>6/30/2018</b>
<b>Net Position Beginning Balance</b>	\$ 39,775,490	\$ 43,828,685
<b>Revenue</b>		
General Revenues	\$ 28,384,458	\$ 28,461,220
Operating Grants & Contributions	1,539,956	730,889
Charges for Services	51,162	76,104
<b>Total Revenue</b>	<b>\$ 29,975,576</b>	<b>\$ 29,268,213</b>
<b>Expenses</b>		
Instruction	\$ 10,060,044	\$ 15,408,084
Instruction-Related Services	1,770,394	2,678,978
Pupil Services	3,279,284	4,890,107
Ancillary Services	1,081,385	1,040,996
Community Services	50,772	-
Enterprise	-	-
General Administration	2,414,992	2,861,118
Plant Services	4,180,522	4,911,208
Other Outgo	13,617,616	1,530,917
Interest on Long-Term Obligations	-	-
<b>Total Expenses</b>	<b>\$ 36,455,009</b>	<b>\$ 33,321,408</b>
<b>Change in Net Position</b>	<b>\$ (6,479,433)</b>	<b>\$ (4,053,195)</b>
<b>Prior Period Adjustment</b>	<b>\$ -</b>	<b>\$ -</b>
<b>End of Year Net Position</b>	<b>\$ 33,296,057</b>	<b>\$ 39,775,490</b>



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.

<b>Table 3</b> <b>Taft Union High School District</b> <b>Statement of Activities - Expenses</b> <b>For the year ended June 30, 2019</b>			
	<u><b>Total Cost of Services</b></u>	<u><b>Net Cost of Services</b></u>	<u><b>Difference</b></u>
<b>Government Activities</b>			
Instruction	\$ 10,060,044	\$ (9,220,074)	\$ 839,970
Instruction-Related Services	1,770,394	(1,702,997)	67,397
Pupil Services	3,279,284	(2,871,487)	407,797
Ancillary Services	1,081,385	(1,044,066)	37,319
Community Services	50,772	(50,772)	-
General Administration	2,414,992	(2,335,113)	79,879
Plant Services	4,180,522	(4,021,766)	158,756
Other Outgo	<u>13,617,616</u>	<u>(13,617,616)</u>	<u>-</u>
<b>Total Expenses</b>	<u><u>\$ 36,455,009</u></u>	<u><u>\$ (34,863,891)</u></u>	<u><u>\$ 1,591,118</u></u>

#### **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 \$42,821,134. Average Daily Attendance (ADA) is expected to increase slightly in fiscal year 2019-20. 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 \$18,586,877.

<b>Table 4</b>		
<b>Taft Union High School District</b>		
<b>Capital Assets</b>		
	<u><b>6/30/2019</b></u>	<u><b>6/30/2018</b></u>
Land	\$ 454,494	\$ 454,494
Land Improvements, Net	627,917	683,255
Buildings, Net	11,207,236	11,683,276
Equipment, Net	1,525,461	1,586,825
Work in Progress	<u>4,771,769</u>	<u>3,374,925</u>
<b>Total Assets</b>	<u><b>\$ 18,586,877</b></u>	<u><b>\$ 17,782,775</b></u>

### Long-Term Debt

At year-end, the District had \$5,633,868 outstanding in other Post-Employment Benefits other than pension benefits (OPEB), \$85,918 outstanding in compensated absences, and \$23,502,000 in net pension liability, as shown in Table A-5.

<b>Table 5</b>		
<b>Taft Union High School District</b>		
<b>Outstanding Long-Term Debt</b>		
	<u><b>6/30/2019</b></u>	<u><b>6/30/2018</b></u>
Net Pension Liability	23,502,000	23,414,000
Net OPEB Obligation	5,633,868	7,852,972
Compensated Absences	<u>85,918</u>	<u>121,180</u>
<b>Total Debt</b>	<u><b>\$ 29,221,786</b></u>	<u><b>\$ 31,388,152</b></u>

**Factors bearing on the District's Future**

The current fiscal condition of the State's budget deficit continues to affect the District's funding. The District must continue to employ a very conservative fiscal strategy in 2019-20 budget year appropriations in order to be able to continue to meet its current and future needs. The District currently has a 3.4% reserve, which is 0.6% less than is required.

**Contacting the District's Financial Management**

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

## Basic Financial Statements

**TAFT UNION HIGH SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 14,633,270
Cash in Revolving Fund	62,513
Investments	30,914,309
Accounts Receivable	626,128
Stores Inventories	29,690
Prepaid Expenses	28,073
Capital Assets:	
Land	454,494
Land Improvements, Net	627,917
Buildings, Net	11,207,236
Equipment, Net	1,525,461
Work in Progress	4,771,769
Total Assets	<u>64,880,860</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Expenses	1,855,832
Total Deferred Outflows of Resources	<u>1,855,832</u>
<b>LIABILITIES:</b>	
Accounts Payable	3,400,215
Unearned Revenue	72,634
Noncurrent Liabilities:	
Net Pension Liability	23,502,000
Other Postemployment Benefit Obligation	5,633,868
Due within one year	85,918
Total Liabilities	<u>32,694,635</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Revenues	746,000
Total Deferred Inflows of Resources	<u>746,000</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	18,465,697
Restricted For:	
Federal and State Programs	403,454
Other Purposes	154,019
Unrestricted	14,272,887
Total Net Position	<u>\$ 33,296,057</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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Instruction	\$ 10,060,044	\$ 4,410	\$ 835,560	\$ (9,220,074)
Instruction-Related Services	1,770,394	353	67,044	(1,702,997)
Pupil Services	3,279,284	41,462	366,335	(2,871,487)
Ancillary Services	1,081,385	196	37,123	(1,044,066)
Community Services	50,772	--	--	(50,772)
General Administration	2,414,992	420	79,459	(2,335,113)
Plant Services	4,180,522	4,321	154,435	(4,021,766)
Other Outgo	13,617,616	--	--	(13,617,616)
Total Governmental Activities	36,455,009	51,162	1,539,956	(34,863,891)
Total Primary Government	\$ 36,455,009	\$ 51,162	\$ 1,539,956	(34,863,891)
General Revenues:				
LCFF Sources				25,449,689
State Revenues				617,403
Local Revenues				2,317,366
Total General Revenues				28,384,458
Change in Net Position				(6,479,433)
Net Position - Beginning				39,775,490
Net Position - Ending				\$ 33,296,057

The accompanying notes are an integral part of this statement.

**TAFT UNION HIGH SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2019

	General Fund	Capital Outlay Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 6,652,762	\$ 7,592,893	\$ 387,615	\$ 14,633,270
Cash in Revolving Fund	50,000	--	12,513	62,513
Investments	12,520,153	18,394,156	--	30,914,309
Accounts Receivable	519,254	54,107	52,767	626,128
Due from Other Funds	--	1,197	371	1,568
Stores Inventories	--	--	29,690	29,690
Prepaid Expenditures	--	--	28,073	28,073
Total Assets	<u>19,742,169</u>	<u>26,042,353</u>	<u>511,029</u>	<u>46,295,551</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 3,390,708	\$ --	\$ 9,507	\$ 3,400,215
Due to Other Funds	1,568	--	--	1,568
Unearned Revenue	72,634	--	--	72,634
Total Liabilities	<u>3,464,910</u>	<u>--</u>	<u>9,507</u>	<u>3,474,417</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	50,000	--	12,513	62,513
Stores Inventories	--	--	29,690	29,690
Restricted Fund Balances	154,019	--	403,454	557,473
Assigned Fund Balances	14,801,937	26,042,353	55,865	40,900,155
Unassigned:				
Reserve for Economic Uncertainty	1,271,303	--	--	1,271,303
Total Fund Balance	<u>16,277,259</u>	<u>26,042,353</u>	<u>501,522</u>	<u>42,821,134</u>
Total Liabilities and Fund Balances	<u>\$ 19,742,169</u>	<u>\$ 26,042,353</u>	<u>\$ 511,029</u>	<u>\$ 46,295,551</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, 2019

Total fund balances - governmental funds balance sheet	\$ 42,821,134
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.	18,586,877
Payables for compensated absences which are not due in the current period are not reported in the funds.	(85,918)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(23,502,000)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(746,000)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	1,855,832
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	<u>(5,633,868)</u>
Net position of governmental activities - Statement of Net Position	\$ <u>33,296,057</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, 2019

	General Fund	Capital Outlay Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 3,799,341	\$ --	\$ --	\$ 3,799,341
Education Protection Account Funds	7,762,545	--	--	7,762,545
Local Sources	13,887,803	--	--	13,887,803
Federal Revenue	658,553	--	274,713	933,266
Other State Revenue	800,175	--	23,697	823,872
Other Local Revenue	1,432,142	887,177	59,430	2,378,749
Total Revenues	<u>28,340,559</u>	<u>887,177</u>	<u>357,840</u>	<u>29,585,576</u>
Expenditures:				
Current:				
Instruction	10,476,118	--	--	10,476,118
Instruction - Related Services	1,943,697	--	--	1,943,697
Pupil Services	2,676,776	--	921,788	3,598,564
Ancillary Services	1,067,090	--	--	1,067,090
General Administration	2,172,413	--	--	2,172,413
Plant Services	3,730,441	58,843	81,793	3,871,077
Other Outgo	13,617,616	--	--	13,617,616
Capital Outlay	277,581	1,396,844	--	1,674,425
Total Expenditures	<u>35,961,732</u>	<u>1,455,687</u>	<u>1,003,581</u>	<u>38,421,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,621,173)</u>	<u>(568,510)</u>	<u>(645,741)</u>	<u>(8,835,424)</u>
Other Financing Sources (Uses):				
Transfers In	615,068	--	982,332	1,597,400
Transfers Out	(1,597,400)	--	--	(1,597,400)
Total Other Financing Sources (Uses)	<u>(982,332)</u>	<u>--</u>	<u>982,332</u>	<u>--</u>
Net Change in Fund Balance	(8,603,505)	(568,510)	336,591	(8,835,424)
Fund Balance, July 1	24,880,764	26,610,863	164,931	51,656,558
Fund Balance, June 30	<u>\$ 16,277,259</u>	<u>\$ 26,042,353</u>	<u>\$ 501,522</u>	<u>\$ 42,821,134</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, 2019

Net change in fund balances - total governmental funds	\$ (8,835,424)
--	----------------

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

Capital outlays are not reported as expenses in the SOA.	1,674,425
The depreciation of capital assets used in governmental activities is not reported in the funds.	(870,323)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	35,262
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	(76,956)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(88,000)
The District's share of the unrecognized deferred inflows and outflows for OPEB plans was amortized.	(537,521)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>2,219,104</u>

Change in net position of governmental activities - Statement of Activities	\$ <u>(6,479,433)</u>
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The accompanying notes are an integral part of this statement.

**TAFT UNION HIGH SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2019

	Agency Funds
<b>ASSETS:</b>	
Cash in County Treasury	\$ 2,891,661
Cash on Hand and in Banks	276,038
Total Assets	<u>3,167,699</u>
<b>LIABILITIES:</b>	
Due to Student Groups/Other Agencies	\$ 3,167,699
Total Liabilities	<u>3,167,699</u>
<b>NET POSITION:</b>	
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, 2019**

**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, 2019**

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 funds:

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

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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, 2019**

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. 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.

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, 2019**

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

	<u>General Fund</u>	<u>Capital Outlay Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
LCFF Sources	\$ --	\$ --	\$ --	\$ --
Federal Government	263,457	--	13,447	276,904
Other State Revenue	67,655	--	969	68,624
Other Local Revenue	188,142	54,107	38,351	280,600
Totals	<u>\$ 519,254</u>	<u>\$ 54,107</u>	<u>\$ 52,767</u>	<u>\$ 626,128</u>

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

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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, 2019**

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, 2019**

5. Deferred Inflows and Deferred Outflows of Resources

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

Deferred Inflows and Deferred Outflows of Resources as of June 30, 2019, consists of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CalSTRS	\$ 1,092,953	\$ 746,000
CalPERS	762,879	--
Other Post Employment Benefits	--	--
Totals	<u>\$ 1,855,832</u>	<u>\$ 746,000</u>

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

8. Use of Estimates

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

**TAFT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

9. Fair Value Measurements

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

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

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

10. Change in Accounting Policies

The District has adopted accounting policies compliant with a new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. This newly implemented pronouncement is as follows:

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

**TAFT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

11. New Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

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

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**TAFT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

GASB Statement No. 91, Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

**B. Excess of Expenditures Over Appropriations**

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified Salaries	\$ (60,154)
Other Outgo	(9,178,250)

General Fund: Other outgo budget variance represents an expenditure due to an interagency payment. See Commitments and Contingencies Litigation note discolsure for further details.

**C. Cash and Investments**

**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 (\$14,633,270 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$14,633,270. 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, 2019) and in the revolving fund (\$62,513) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**TAFT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

3. Investments:

The District's investments at June 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Money Market Account	\$ 379,552
Fixed Income Securities	30,534,757
Total Investments	<u>\$ 30,914,309</u>

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year-End</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Money Market Mutual Funds	\$ 379,552	\$ --	\$ --	\$ --	\$ 379,552
US Government Securities	17,526,632	-	17,526,632	-	--
Corporate Bonds*	9,182,530	505,195	1,885,618	6,791,718	--
Certificates of Deposit**	3,825,595	-	-	-	3,825,595
Totals	<u>\$ 30,914,309</u>	<u>\$ 505,195</u>	<u>\$ 19,412,250</u>	<u>\$ 6,791,718</u>	<u>\$ 4,205,147</u>

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

\*\*Certificates of Deposit are exempt from disclosure.

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.

**TAFT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

d. Interest Rate Risk

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

Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Mutual Funds	\$ 379,552	\$ 379,552	\$ --	\$ --	--
US Government Securities	17,526,632	1,493,221	6,320,681	9,712,731	--
Corporate Bonds*	9,182,530	-	3,768,885	5,413,645	--
Certificates of Deposit**	3,825,595	244,473	1,296,198	2,284,924	--
Totals	<u>\$ 30,914,309</u>	<u>\$ 2,117,246</u>	<u>\$ 11,385,764</u>	<u>\$ 17,411,299</u>	<u>--</u>

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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**D. Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 454,494	\$ --	\$ --	\$ 454,494
Work in progress	3,374,925	1,396,844	--	4,771,769
Total capital assets not being depreciated	3,829,419	1,396,844	--	5,226,263
Capital assets being depreciated:				
Buildings	19,535,661	32,575	--	19,568,236
Improvements	2,828,929	--	--	2,828,929
Equipment	10,632,839	245,006	--	10,877,845
Total capital assets being depreciated	32,997,429	277,581	--	33,275,010
Less accumulated depreciation for:				
Buildings	(7,852,385)	--	(508,615)	(8,361,000)
Improvements	(2,145,674)	--	(55,338)	(2,201,012)
Equipment	(9,046,014)	--	(306,370)	(9,352,384)
Total accumulated depreciation	(19,044,073)	--	(870,323)	(19,914,396)
Total capital assets being depreciated, net	13,953,356	277,581	(870,323)	13,360,614
Governmental activities capital assets, net	\$ 17,782,775	\$ 1,674,425	\$ (870,323)	\$ 18,586,877

Depreciation was charged to functions as follows:

Instruction	\$ 62,954
Library, Media, & Technology	54,888
Transportation	53,433
Food Services	26,297
Ancillary Services	50,772
General Administration	4,427
Centralized Data Processing	2,166
Plant Services	615,386
	<u>\$ 870,323</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Cafeteria Fund	General Fund	\$ 371	Supplement other fund sources
Capital Outlay	General Fund	1,197	Supplement other fund sources
	Total	<u>\$ 1,568</u>	

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

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2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Cafeteria Fund	\$ 982,332	Supplement other fund sources
General Fund	Capital Outlay	600,000	Supplement other fund sources
Capital Outlay	General Fund	15,068	Supplement other fund sources
	Total	<u>\$ 1,597,400</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	121,180	--	(35,262)	85,918	85,918
Total governmental activities	<u>\$ 121,180</u>	<u>\$ --</u>	<u>\$ (35,262)</u>	<u>\$ 85,918</u>	<u>\$ 85,918</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General, Cafeteria

G. Joint Ventures (Joint Powers Agreements)

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

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

SISC also administers the SISC Defined Benefit Pension Plan (SDBP), which is a cost-sharing multi-employer defined benefit pension plan that provides benefits for the part-time employees of 63 participating school districts and county offices of education (participating employers). California Government Code 6507 created SISC, with the authority to establish and amend the benefit provisions of the plan.

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.



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H. Pension Plans

1. General Information About the Pension Plans

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

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

Pension Plan	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 14,074,000	\$ 1,092,953	\$ 746,000	\$ 390,000
CalPERS	9,428,000	762,879	--	1,810,248
Total	<u>\$ 23,502,000</u>	<u>\$ 1,855,832</u>	<u>\$ 746,000</u>	<u>\$ 2,200,248</u>

a. Plan Descriptions

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

b. Benefits Paid

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, 2019 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	60	62
Monthly benefits, as a % of eligible compensation	2.1 - 2.4%	2.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	9.828%	9.828%

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

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	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 Years	5 Years
Benefit Vesting Schedule	Monthly for Life	Monthly For Life
Benefit Payments	55	62
Retirement Age	1.1- 2.5%	1.0- 2.5%
Monthly Benefits as a % of Eligible Compensation	7.000%	7.000%
Required Employee Contribution Rates (at June 30, 2019)	18.062%	18.062%
Required Employer Contribution Rates (at June 30, 2019)		

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

c. Contributions

CalSTRS

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above.

CalPERS

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2018 (measurement date) the State contributed 8.395% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

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

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	7.126% \$	--
2017	5.400% \$	309,676
2018	8.395% \$	698,317
2019	9.124% \$	1,284,687

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d. Contributions Recognized

For the year ended June 30, 2019, the contributions recognized for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,092,953	\$ 762,879	\$ 1,855,832
Contributions - State On Behalf Payments	1,284,687	319,654	1,604,341
Total Contributions	<u>\$ 2,377,640</u>	<u>\$ 1,082,533</u>	<u>\$ 3,460,173</u>

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 14,074,000
CalPERS	9,428,000
Total Net Pension Liability	<u>\$ 23,502,000</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, 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, 2018 rolled forward to June 30, 2019 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, 2018 and June 30, 2019 were as follows:

	CalSTRS	CalPERS
Proportion June 30, 2018	0.0157%	0.0373%
Proportion June 30, 2019	0.0153%	0.0354%
Change - Increase (Decrease)	<u>-0.0004%</u>	<u>-0.0019%</u>

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Total Pension Expense	<u>\$ 1,259,604</u>	<u>\$ 1,470,838</u>	<u>\$ 2,730,442</u>

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b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,855,832	\$ --
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	--	(746,000)
Net difference between projected and actual earnings on plan investments	--	--
<b>Total</b>	<b>\$ 1,855,832</b>	<b>\$ (746,000)</b>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2020	\$ 1,855,832	\$ (186,500)	\$ 1,669,332
2021	--	(186,500)	(186,500)
2022	--	(186,500)	(186,500)
2023	--	(186,500)	(186,500)
2024	--	--	--
Thereafter	--	--	--
<b>Total</b>	<b>\$ 1,855,832</b>	<b>\$ (746,000)</b>	<b>\$ 1,109,832</b>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS
Valuation Date	June 30, 2017		June 30, 2017
Measurement Date	June 30, 2018		June 30, 2018
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS		
Actuarial Assumptions:			
Discount Rate	7.10%		7.15%
Inflation	2.75%		2.50%
Wage Growth	3.50%		Varies
Projected Salary Increase	0.05%-6.4%	(1)	3.10%-9.00%
Investment Rate of Return	7.10%	(2)	7.15%
Mortality	.0173%-22.86%	(3)	0.466%-32.536%

(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

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d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalSTRS discount rate was decreased in 2018 from 7.60% to 7.10% for measurement date June 30, 2018 (fiscal year June 2019) to adjust for changes resulting from a new actuarial study. The CalPERS discount rate was decreased from 7.65% to 7.15% for measurement date June 30, 2018 (fiscal year June 2019) to adjust for changes resulting in a new actuarial study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. 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 2019. 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 2018-19 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.

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

CalSTRS

Asset Class	Assumed Allocation June 30, 2018	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS

Asset Class	Assumed Allocation June 30, 2018	Real Return Years 11+*
Global Equity	50.00%	5.38%
Fixed Income	28.00%	2.62%
Inflation Assets	--	1.81%
Private Equity	8.00%	7.23%
Real Estate	13.00%	4.93%
Liquidity	1.00%	-0.92%

\* An expected inflation of 2.92% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 20,616,763	\$ 13,726,717
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 14,074,000	\$ 9,428,000
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 8,649,415	\$ 5,861,599

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.

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I. Postemployment Benefits Other Than Pension Benefits

1. Plan Description

a. Plan Administration

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

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

Management of the Trust is vested in the SISC III Health and Welfare Benefits Program board of directors as of June 30, 2019 the board had 25 members, who are elected from and by representatives of SISC III member districts.

b. Benefits Provided

The District provides healthcare 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.

Certificated, Administrative and Classified Confidential employees may retire with District-paid healthcare Benefits after the later of age 55 and 15 years of service, with the final 5 years of continuous and immediately preceding in the age of 55. District contributions are limited to the cost of medical, prescription drug, and behavioral health coverage for the retiree and eligible dependents. Part-time employees initially fired on or after July 1, 1996 receive a pro-rata share of the District contribution based on their full-time equivalency prior to retirement. District-paid benefits end at age 65.

Classified employees may retire with District-paid healthcare benefits after the later of age 55 and 15 years of service. District contributions are limited to the cost of medical, prescription drug, and behavioral health coverage for the retiree and eligible dependents. Part-time employees receive a pro-rata share of the District contribution based on their full-time equivalency prior to retirements. District-paid benefits end at age 65.

c. Plan Membership

As of Year Ended June 30, 2019 the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	41
Inactive employees entitled to but not yet receiving benefit payments	--
Active employees	72
Total number of participants	<u>113</u>

2. Contributions

The contribution requirements of the plan are established by the District's Board of Trustees, The required contribution is based on the projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2019 the District contributed \$554,916 to the plan for the current premiums. The District had no contributions to an OPEB Trust.

**TAFT UNION HIGH SCHOOL DISTRICT**  
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3. Investments

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

4. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB Liability	\$	5,633,868
Plan Fiduciary Net Position		-
District's Net OPEB Liability (asset)	\$	<u>5,633,868</u>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability		--
Covered-employee Payroll	\$	12,136,505
District's Net OPEB Liability as a percentage of covered payroll		46.42%

5. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date	July 1, 2017
Discount Rate	3.10%
Inflation Rate	3.00%
Healthcare Trend Rates	5.90%
Investment Rate of Return	--
Mortality Rates	RP-2014 Employee Mortality
Retirees Share of Costs	--

6. Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The Discount Rate used was based on the Muni Bond 20 Year High Grade Rate Index.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point-higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
Total OPEB Liability (asset)	\$ <u>5,940,377</u>	\$ <u>5,633,868</u>	\$ <u>5,343,964</u>



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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (4.00% per year) or 1-percentage-point higher (6.00% per year) than the current healthcare cost trend rates:

	1% Decrease 4.00%	Healthcare Cost Trend Rate 5.00%	1% Increase 6.00%
Total OPEB Liability	\$ 5,285,092	\$ 5,633,868	\$ 6,024,579

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

For the year ended June 30, 2019 the District recognized OPEB expense of \$554,916. At June 30, 2019 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ --

At June 30, 2019 the District did not report any deferred inflows of resources relating to OPEB.

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

J. Commitments and Contingencies

Litigation

At the end of the 2018-19 fiscal year, the Taft Union High School District reached a settlement agreement with the Golden Empire School Financing Authority regarding an ongoing dispute related to the transfer of revenues pursuant to an agreement originating in 1988. As part of the settlement, the District paid to the Authority from General Fund Reserves a payment of \$10 million (in addition to the contractual obligation of approximately \$2.04 million). The original agreement between TUHSD and GESFA saw property tax revenues transferred from TUHSD to GEFSFA as tender for lease payments related to certain real properties located in Taft, CA.

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending, aside from the former mentioned above, 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 \$2,891,660 as of June 30, 2018. The District has impounded \$2,891,660 to cover this contingent liability at June 30, 2019.

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.

K. Subsequent Events

No subsequent events have been noted as of the report date.

## 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 7,088,582	\$ 5,827,614	\$ 3,799,341	\$ (2,028,273)
Education Protection Account Funds	5,667,697	7,326,079	7,762,545	436,466
Local Sources	12,434,195	12,495,610	13,887,803	1,392,193
Federal Revenue	764,998	708,637	658,553	(50,084)
Other State Revenue	799,742	643,510	800,175	156,665
Other Local Revenue	806,579	717,874	1,432,142	714,268
Total Revenues	<u>27,561,793</u>	<u>27,719,324</u>	<u>28,340,559</u>	<u>621,235</u>
Expenditures:				
Current:				
Certificated Salaries	7,726,275	7,746,448	7,484,614	261,834
Classified Salaries	4,578,918	4,298,512	4,358,666	(60,154)
Employee Benefits	6,379,494	6,217,296	5,897,699	319,597
Books And Supplies	1,820,285	1,913,118	1,470,272	442,846
Services And Other Operating Expenditures	3,198,415	3,237,040	2,855,284	381,756
Other Outgo	4,301,816	4,439,366	13,617,616	(9,178,250)
Capital Outlay	247,009	372,915	277,581	95,336
Total Expenditures	<u>28,252,212</u>	<u>28,224,695</u>	<u>35,961,732</u>	<u>(7,737,037)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(690,419)</u>	<u>(505,371)</u>	<u>(7,621,173)</u>	<u>(7,115,802)</u>
Other Financing Sources (Uses):				
Transfers In	600,000	1,546,638	615,068	(931,570)
Transfers Out	<u>(2,513,902)</u>	<u>(2,528,970)</u>	<u>(1,597,400)</u>	<u>931,570</u>
Total Other Financing Sources (Uses)	<u>(1,913,902)</u>	<u>(982,332)</u>	<u>(982,332)</u>	<u>--</u>
Net Change in Fund Balance	<u>(2,604,321)</u>	<u>(1,487,703)</u>	<u>(8,603,505)</u>	<u>(7,115,802)</u>
Fund Balance, July 1	<u>12,602,623</u>	<u>12,602,623</u>	<u>24,880,764</u>	<u>12,278,141</u>
Fund Balance, June 30	<u>\$ 9,998,302</u>	<u>\$ 11,114,920</u>	<u>\$ 16,277,259</u>	<u>\$ 5,162,339</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				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0153%	0.0157%	0.0160%	0.0170%	0.0150%
District's proportionate share of the net pension liability (asset)	\$ 6,469,534	\$ 9,188,415	\$ 10,383,708	\$ 9,156,064	\$ 7,157,982
State's proportionate share of the net pension liability (asset) associated with the District	7,604,466	5,326,585	2,527,292	2,289,016	1,789,496
Total	<u>\$ 14,074,000</u>	<u>\$ 14,515,000</u>	<u>\$ 12,911,000</u>	<u>\$ 11,445,080</u>	<u>\$ 8,947,478</u>
District's covered-employee payroll	\$ 7,484,605	\$ 8,935,175	\$ 9,273,085	\$ 8,072,495	\$ 8,233,324
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.44%	102.83%	111.98%	113.42%	86.94%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.50%	69.00%	70.00%	77.00%

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

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,092,953	\$ 1,902,921	\$ 1,582,020	\$ 731,963	\$ 559,782
Contributions in relation to the contractually required contribution	(1,092,953)	(1,902,921)	(1,582,020)	(731,963)	(559,782)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 7,484,605	\$ 8,935,175	\$ 9,273,085	\$ 8,072,495	\$ 8,233,324
Contributions as a percentage of covered-employee payroll	14.60%	21.30%	17.06%	9.07%	6.80%

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

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

	Fiscal Year				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0354%	0.0373%	0.0360%	0.0370%	0.0360%
District's proportionate share of the net pension liability (asset)	\$ <u>9,428,000</u>	\$ <u>8,899,000</u>	\$ <u>7,119,000</u>	\$ <u>5,397,876</u>	\$ <u>4,133,194</u>
District's covered-employee payroll	\$ 4,651,899	\$ 5,145,570	\$ 5,463,144	\$ 4,333,405	\$ 4,014,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.67%	172.94%	130.31%	124.56%	102.96%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	71.87%	73.90%	79.40%	83.38%

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

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 762,879	\$ 727,184	\$ 660,182	\$ 447,342	\$ 438,014
Contributions in relation to the contractually required contribution	(762,879)	(727,184)	(660,182)	(447,342)	(438,014)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,651,899	\$ 5,145,570	\$ 5,463,144	\$ 4,333,405	\$ 4,014,490
Contributions as a percentage of covered-employee payroll	16.40%	14.13%	12.08%	11.10%	10.91%

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

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

	Measurement Year Ended			
	2019	2018	2017	2016
District's proportion of the collective net OPEB liability	100.00%	100.00%	100.00%	100.00%
District's proportionate share of the collective net OPEB liability	\$ 5,633,868	\$ 7,852,972	\$ 9,136,539	\$ 1,928,868
Total	<u>\$ 5,633,868</u>	<u>\$ 7,852,972</u>	<u>\$ 9,136,539</u>	<u>\$ 1,928,868</u>
District's covered-employee payroll	\$ 12,136,505	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	46.42%	55.77%	62.00%	15.55%
Plan fiduciary net position as a percentage of the total OPEB liability	--	--	--	--

Notes to the Schedule

Valuation Date	July 1, 2019	July 1, 2016	July 1, 2013	July 1, 2013
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\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.



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

	Fiscal Year Ended			
	2019	^2018**	2017	2016
Statutorily or contractually required District contribution	\$ 619,289	\$ 283,804	\$ 632,356	\$ 632,356
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	554,916	537,521	715,682	723,687
Contribution deficiency (excess)	\$ <u>64,373</u>	\$ <u>(253,717)</u>	\$ <u>(83,326)</u>	\$ <u>(91,331)</u>
District's covered-employee payroll	\$ 12,136,505	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
Contributions as a percentage of covered-employee payroll	4.57%	3.82%	4.86%	5.83%

Notes to the Schedule

Valuation Date	July 1, 2019	July 1, 2016	July 1, 2013	July 1, 2013
----------------	--------------	--------------	--------------	--------------

\* 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.

\*\* The prior year (2018) Actuarially determined contribution has been changed to match Pay-as-you-go actuarial report.

# TAFT UNION HIGH SCHOOL DISTRICT

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

	Fiscal Year Ended			
	2019	2018	2017	2016
Total OPEB liability:				
Service cost	\$ 99,409	\$ --	\$ --	\$ --
Interest	184,353	--	--	--
Changes of benefit terms	--	--	--	--
Differences between expected and actual experience	--	--	--	--
Changes of assumptions or other inputs	(1,431,560)	(1,283,567)	7,207,671	--
Benefit payments	(1,071,306)	--	--	--
Net change in total OPEB liability	(2,219,104)	(1,283,567)	7,207,671	--
Total OPEB liability - beginning	7,852,972	9,136,539	1,928,868	--
Total OPEB liability - ending(a)	<u>\$ 5,633,868</u>	<u>\$ 7,852,972</u>	<u>\$ 9,136,539</u>	<u>\$ 1,928,868</u>
Plan fiduciary net position:				
Contributions - employer	\$ --	\$ --	\$ --	--
Contributions - employee	--	--	--	--
Net investment income	--	--	--	--
Benefit payments, including refunds of employee contributions	--	--	--	--
Administrative expense	--	--	--	--
Other	--	--	--	--
Net change in plan fiduciary net position	--	--	--	--
Plan fiduciary net position - beginning	--	--	--	--
Plan fiduciary net position - ending(b)	--	--	--	--
District's Net OPEB Liability - ending (a)-(b)	<u>5,633,868</u>	<u>7,852,972</u>	<u>9,136,539</u>	<u>1,928,868</u>
Plan Fiduciary Net Position as a percentage of the total liability				
Covered-employee payroll	\$ 12,136,505	\$ 14,079,745	\$ 14,736,229	\$ 12,405,900
Total OPEB liability as a percentage of covered-employee payroll	46.42%	55.77%	62.00%	15.55%

### Notes to Schedule:

Valuation Date	July 1, 2019	July 1, 2016	July 1, 2013	July 1, 2013
----------------	--------------	--------------	--------------	--------------

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

## Combining Statements and Budget Comparisons as Supplementary Information

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

**TAFT UNION HIGH SCHOOL DISTRICT**

## COMBINING BALANCE SHEET

## NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 332,113	\$ 55,502	\$ 387,615
Cash in Revolving Fund	12,513	--	12,513
Accounts Receivable	52,404	363	52,767
Due from Other Funds	371	--	371
Stores Inventories	29,690	--	29,690
Prepaid Expenditures	28,073	--	28,073
Total Assets	<u>455,164</u>	<u>55,865</u>	<u>511,029</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 9,507	\$ --	\$ 9,507
Total Liabilities	<u>9,507</u>	<u>--</u>	<u>9,507</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	12,513	--	12,513
Stores Inventories	29,690	--	29,690
Restricted Fund Balances	403,454	--	403,454
Assigned Fund Balances	--	55,865	55,865
Total Fund Balance	<u>445,657</u>	<u>55,865</u>	<u>501,522</u>
Total Liabilities and Fund Balances	<u>\$ 455,164</u>	<u>\$ 55,865</u>	<u>\$ 511,029</u>

# TAFT UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	\$ 274,713	\$ --	\$ 274,713
Other State Revenue	23,697	--	23,697
Other Local Revenue	58,353	1,077	59,430
Total Revenues	<u>356,763</u>	<u>1,077</u>	<u>357,840</u>
Expenditures:			
Current:			
Pupil Services	921,788	--	921,788
Plant Services	81,793	--	81,793
Total Expenditures	<u>1,003,581</u>	<u>--</u>	<u>1,003,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(646,818)</u>	<u>1,077</u>	<u>(645,741)</u>
Other Financing Sources (Uses):			
Transfers In	982,332	--	982,332
Total Other Financing Sources (Uses)	<u>982,332</u>	<u>--</u>	<u>982,332</u>
Net Change in Fund Balance	335,514	1,077	336,591
Fund Balance, July 1	110,143	54,788	164,931
Fund Balance, June 30	<u>\$ 445,657</u>	<u>\$ 55,865</u>	<u>\$ 501,522</u>

**TAFT UNION HIGH SCHOOL DISTRICT**  
**CAFETERIA FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 263,025	\$ 274,713	\$ 11,688
Other State Revenue	21,365	23,697	2,332
Other Local Revenue	42,648	58,353	15,705
Total Revenues	<u>327,038</u>	<u>356,763</u>	<u>29,725</u>
Expenditures:			
Current:			
Classified Salaries	296,435	293,235	3,200
Employee Benefits	262,602	233,827	28,775
Books And Supplies	410,708	351,706	59,002
Services And Other Operating Expenditures	132,103	124,813	7,290
Total Expenditures	<u>1,101,848</u>	<u>1,003,581</u>	<u>98,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(774,810)</u>	<u>(646,818)</u>	<u>127,992</u>
Other Financing Sources (Uses):			
Transfers In	<u>982,332</u>	<u>982,332</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>982,332</u>	<u>982,332</u>	<u>--</u>
Net Change in Fund Balance	207,522	335,514	127,992
Fund Balance, July 1	104,025	110,143	6,118
Fund Balance, June 30	<u>\$ 311,547</u>	<u>\$ 445,657</u>	<u>\$ 134,110</u>

**TAFT UNION HIGH SCHOOL DISTRICT**  
DEFERRED MAINTENANCE FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 600	\$ 1,077	\$ 477
Total Revenues	<u>600</u>	<u>1,077</u>	<u>477</u>
Expenditures:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>600</u>	<u>1,077</u>	<u>477</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	600	1,077	477
Fund Balance, July 1	54,788	54,788	--
Fund Balance, June 30	<u>\$ 55,388</u>	<u>\$ 55,865</u>	<u>\$ 477</u>

**TAFT UNION HIGH SCHOOL DISTRICT**  
**SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS**  
**CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 107	\$ 887,177	\$ 887,070
Total Revenues	<u>107</u>	<u>887,177</u>	<u>887,070</u>
Expenditures:			
Current:			
Books And Supplies	82,500	11,165	71,335
Services And Other Operating Expenditures	468,675	47,678	420,997
Capital Outlay	1,754,431	1,396,844	357,587
Total Expenditures	<u>2,305,605</u>	<u>1,455,687</u>	<u>849,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,305,498)</u>	<u>(568,510)</u>	<u>1,736,988</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	(2,305,498)	(568,510)	1,736,988
Fund Balance, July 1	26,610,862	26,610,863	1
Fund Balance, June 30	<u>\$ 24,305,364</u>	<u>\$ 26,042,353</u>	<u>\$ 1,736,989</u>



**TAFT UNION HIGH SCHOOL DISTRICT**

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## AGENCY FUNDS

JUNE 30, 2019

	Impound Fund	Student Body Fund	Total Agency Funds
<b>ASSETS:</b>			
Cash in County Treasury	\$ 2,891,661	\$ --	\$ 2,891,661
Cash on Hand and in Banks	--	276,038	276,038
Total Assets	<u>2,891,661</u>	<u>276,038</u>	<u>3,167,699</u>
<b>LIABILITIES:</b>			
Due to Student Groups/Other Agencies	\$ 2,891,661	\$ 276,038	\$ 3,167,699
Total Liabilities	<u>2,891,661</u>	<u>276,038</u>	<u>3,167,699</u>
<b>NET POSITION:</b>			
Total Net Position	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

## Other Supplementary Information

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

# TAFT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE - UNAUDITED

JUNE 30, 2019

The Taft Union High School District has been in operation since 1911. The Taft Union High School District operates one high school and serves approximately 950 students on the west side of Kern County and draws from five rural elementary school districts - Elk Hills, Midway, McKittrick, Belridge, and Taft City School Districts - covering an area of 362 square miles. The Board of Trustees of the Taft Union High School District, for the year ending June 30, 2018, was comprised of the following members:

Governing Board		
Name	Office	Term and Term Expiration
Paul Linder	President	December 2022
Wendy Berry	Clerk	December 2020
Mary Ann Hagstrom	Member	December 2022
John Kopp	Member	December 2020
Julie Ortlieb	Member	December 2022
Administration		
	Superintendent Board Secretary Blanca Cavazos	
	Chief Business Official (CBO) Josh Bryant	

# TAFT UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2019

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
TK/K-3 Totals	--	N/A	--	N/A
Grades 4-6:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 4-6 Totals	--	N/A	--	N/A
Grades 7 and 8:				
Regular ADA	N/A	N/A	N/A	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 7 and 8 Totals	--	N/A	--	N/A
Grades 9-12:				
Regular ADA	956	N/A	951	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 9-12 Totals	956	N/A	951	N/A
ADA Totals	956	N/A	951	N/A

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

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

**TAFT UNION HIGH SCHOOL DISTRICT****SCHEDULE OF INSTRUCTIONAL TIME****YEAR ENDED JUNE 30, 2019**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	64,800	--	67,135	180	--	Complied
Grade 10	64,800	--	67,135	180	--	Complied
Grade 11	64,800	--	67,135	180	--	Complied
Grade 12	64,800	--	67,135	180	--	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207.

This schedule is required of all districts, including basic aid districts.

The District has 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, 2019**

General Fund	Budget 2020 (see note 1)	2019	2018	2017
Revenues and other financial sources	\$ 27,642,966	\$ 28,340,559	\$ 27,726,048	\$ 28,806,944
Expenditures	30,034,359	35,961,732	29,363,170	29,316,597
Other uses and transfers out	700,000	982,332	(451,851)	721,275
Total outgo	30,734,359	36,944,064	28,911,319	30,037,872
Change in fund balance (deficit)	(3,091,393)	(8,603,505)	(1,185,271)	(1,230,928)
Ending fund balance	\$ 13,185,866	\$ 16,277,259	\$ 24,880,764	\$ 26,066,035
Available reserves (see note 2)	\$ 768,182	\$ 1,271,303	\$ 1,230,630	\$ 1,547,625
Available reserves as a percentage of total outgo (see note 3)	2.5%	3.4%	4.3%	5.2%
Total long-term debt	\$ 29,135,868	\$ 29,221,786	\$ 31,388,152	\$ 29,265,371
Average daily attendance at P-2	969	956	950	960

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 \$9,788,776 (37.55%) over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$3,091,393 (18.99%). For a district of this size, the State recommends available reserves of at least 4.0 percent of total general fund expenditures, transfers out and other uses (total outgo).

The District has experienced operating deficits for the past three years, and projects a deficit during the 2019-2020 fiscal year. Total long-term debt has decreased by \$43,585 over the past two years.

Average daily attendance has decreased by 4 over the past two years. An increase of 13 ADA is anticipated during the fiscal year 2019-2020.

**NOTES:**

- 1 Budget 2020 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.
- 3 For a District of this size, the State recommends available reserves of at least 4.0 percent of total general fund expenditures, transfers out and other uses (total outgo). Due to the large, one-time outgo related to the settlement of the GEFSa agreement, the District did not calculate the reserve for economic uncertainty correctly. The District had more than adequate Fund Balances that could have been applied as Reserve. This will be corrected in future years.

**TAFT UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

	General Fund	Cafeteria Fund
June 30, 2019, annual financial and budget report fund balances	\$ 2,197,370	\$ 422,625
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Cash in County Treasury	1,552,935	--
Cash Collections Awaiting Deposit	--	3,467
Investments	12,520,153	--
Accounts Receivable	6,801	13,448
Prior Year Audit Adjustment	--	6,118
Rounding	--	(1)
Net adjustments and reclassifications	14,079,889	23,032
June 30, 2019, audited financial statement fund balances	\$ 16,277,259	\$ 445,657

	Non-Current Liabilities
June 30, 2019, annual financial and budget report total liabilities	\$ 121,180
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net Pension Liability	23,502,000
Net OPEB	5,633,868
Compensated Absences	(35,262)
Net adjustments and reclassifications	29,100,606
June 30, 2019, audited financial statement total liabilities	\$ 29,221,786

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.

Non-Capital Outlay Fund	Post Employment Benefits Fund
<u>\$ 1,329,915</u>	<u>\$ 12,749,974</u>
(1,323,460)	(229,475)
--	--
--	(12,520,153)
(6,455)	(346)
--	--
<u>--</u>	<u>--</u>
<u>(1,329,915)</u>	<u>(12,749,974)</u>
<u>\$ --</u>	<u>\$ --</u>



**TAFT UNION HIGH SCHOOL DISTRICT**

SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2019

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

Charter SchoolsIncluded In  
Audit?

None

N/A

**TAFT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition: School Programs - Breakfast Needy	10.553	13526	\$ --	\$ 53,156
Child Nutrition: School Programs - Lunch	10.555	13391	--	221,557
Total Passed Through State Department of Education			--	274,713
Total U. S. Department of Agriculture			--	274,713
Total Child Nutrition Cluster			--	274,713
<b>MEDICAID CLUSTER:</b>				
<u>U. S. Department of Health and Human Services</u>				
Passed Through California Department of Health Services:				
Medi-Cal Administrative Activities (MAA)	93.778	10060	--	53,104
Total U. S. Department of Health and Human Services			--	53,104
Total Medicaid Cluster			--	53,104
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	13379	--	171,195
Total Passed Through California Department of Education			--	171,195
Total U. S. Department of Education			--	171,195
Total Special Education (IDEA) Cluster			--	171,195
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through California Department of Education:				
NCLB: Title I, Part A, Basic Grants, Low-Income, and Neglected	84.010	14329	--	271,305
NCLB: Title I, Part C, Migrant Ed	84.011	14326	--	12,067
Carl Perkins Career and Technical Education	84.048	14894	--	44,174
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction	84.367	14341	--	55,919
ESEA (ESSA): Title IV, Part A, Student Support	84.424	15396		9,726
ESEA (ESSA): Title V, Part B, Rural & Low Income School	84.358	14356	\$ --	\$ 41,063
Total Passed Through California Department of Education			\$ --	\$ 434,254
Total U. S. Department of Education			--	434,254
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 933,266

The accompanying notes are an integral part of this schedule.

## **TAFT UNION HIGH SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Taft Union High School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Taft Union High School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**TAFT UNION HIGH SCHOOL DISTRICT**

NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019

**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, 2019, 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 15, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

*Scott Erwin CPA*

SCOTT ERWIN CPA INC  
Bakersfield, CA  
December 15, 2019



**Independent Auditor's Report on Compliance for Each Major Program and on Internal  
Control Over Compliance Required by the Uniform Guidance**

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

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited the Taft Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wasco Union High School District's major federal programs for the year ended June 30, 2019. Taft Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Taft Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wasco Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Taft Union High School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Taft Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



## Report on Internal Control Over Compliance

Management of the Taft Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Taft Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Taft Union High School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Scott Erwin CPA*

SCOTT ERWIN CPA INC  
Bakersfield, CA  
December 15, 2019



### **Independent Auditor's Report on State Compliance**

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

Members of the Board of Trustees:

#### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2018-19 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, 2019.

#### **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, *2018-19 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, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our qualified opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:</b>	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:</b>	
Comprehensive School Safety Plan	Yes
District of Choice	N/A
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
<b>CHARTER SCHOOLS:</b>	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

## **Basis for our Qualified Opinion**

The results of our auditing procedures disclosed one instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in Title 5, California Code of Regulations, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2019-01.

## **Qualified Opinion on State Compliance**

In our opinion, except for the findings noted above, Taft Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

## **Other Matters**

### *Taft Union High School District's Response to Findings*

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 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 15, 2019

## Findings and Recommendations Section

**TAFT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition: School Programs - Breakfast
10.555	Child Nutrition: School Programs - Lunch

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**TAFT UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

3. State Awards

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

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

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

**FINDING 2019-01, CODE 72000, SCHOOL ACCOUNTABILITY REPORT CARD**

Criteria or Specific Requirement

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

Condition

For the two schools tested, the SARC information was inconsistent for the sections "Repair Status" and "Overall Facility Rating." One school, Buena Vista, was over reported (i.e. "Exemplary" when it should have been "Good"). The other school, Taft High, was over reported (i.e. "Good" when it should have been "Fair."

Effect

The Repair Status and Overall Facility Rating information for both sites in the District's SARCs were not consistent with the FIT reports and therefore not reported correctly.

Cause

The District failed to cross-reference the FIT report prior to the publication of the SARC report.

Questioned Costs

None

Recommendation

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

**TAFT UNION HIGH SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

Corrective Action Plan

The Principal will verify with the Chief Business Official that the information presented on the SARC matches that which is presented on the FIT report for the given period prior to issuance & publication.



**TAFT UNION HIGH SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

**FINDING 2018-01, CODE 7200 SCHOOL ACCOUNTABILITY REPORT CARD**

Criteria or Specific Requirement

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

**NOT  
IMPLEMENTED**

District failed to cross-reference the information in the SARC with the proper FIT report to ensure accuracy.

Condition

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

Effect

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

Cause

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

Questioned Costs

None

Recommendation

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

**TAFT UNION HIGH SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	Management's Explanation <u>If Not Implemented</u>
<u>Corrective Action Plan</u> To ensure concurrence between the SARC and FIT reports for TUHSD, the Principal will verify with the Chief Business Official that the information presented on the SARC matches that which is presented on the FIT report for the given period prior to issuance & publication.		