



**WILLIAM S. HART
UNION HIGH SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
William S. Hart Union High School District
Santa Clarita, 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 William S. Hart Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 the William S. Hart Union High School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 5 through 13, the budgetary comparison schedule on page 73, the schedule of other postemployment benefits funding progress on page 74, the schedule of the District's proportionate share of net pension liability on page 75, and the schedule of District contributions on page 76, 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 William S. Hart Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information is 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 12, 2017, on our consideration of the William S. Hart 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of William S. Hart Union High School District's 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 William S. Hart Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2017



William S. Hart Union High School District

This section of William S. Hart Union High School District's (the District) (2016-2017) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information from 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

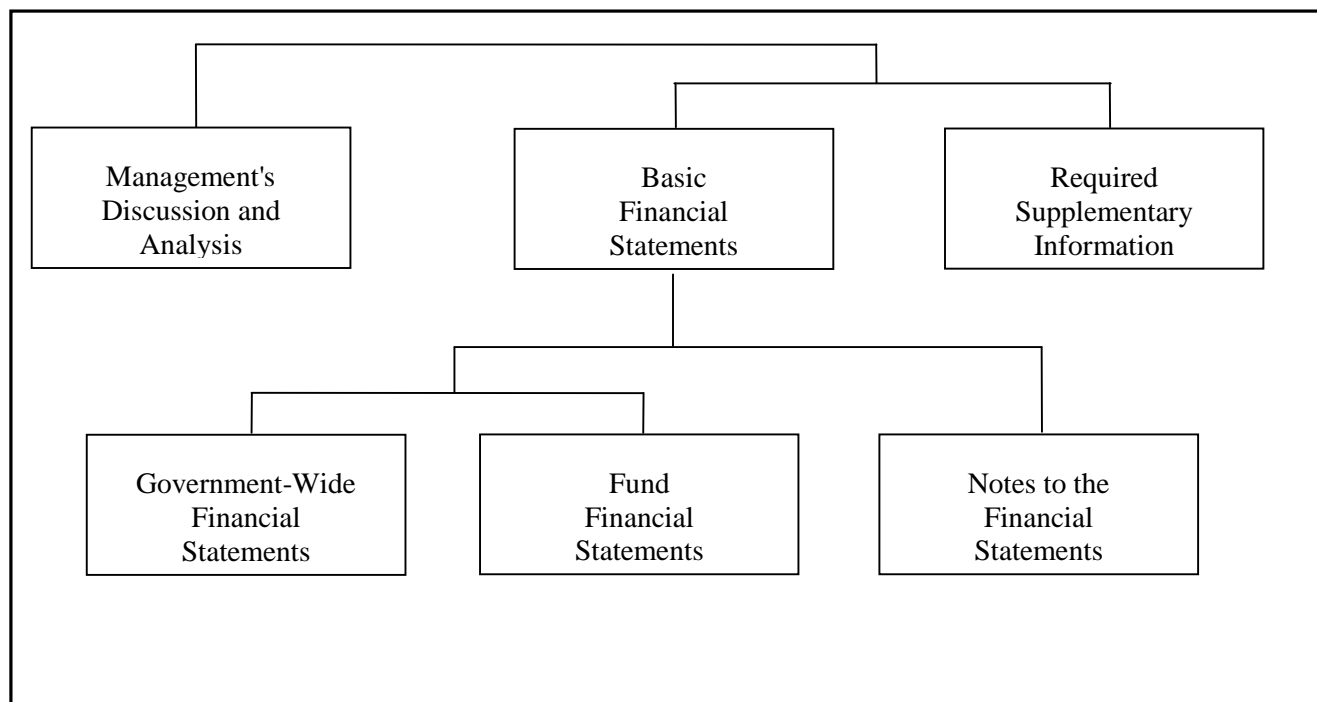
The Primary unit of the government is the William S. Hart Union High School District.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Figure 1

Organization of William S. Hart Union High School District's Annual Financial Report



FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total net position decreased by \$6.8 million over the prior year for a new net position of \$170.3 million.
- Revenues, transfers in, and other financing sources for all funds totaled \$277.3 million. Expenses, transfers out, and other uses totaled \$284.2 million.
- The General Fund audited ending balance, which includes \$50.5 million in Fund 17 - Special Reserve Fund for Other Than Capital Outlay Projects, totaled \$15.3 million. This represents an increase of \$1.7 million from the prior year.
- Fiscal year 2016-2017 was the fourth year of the Local Control Funding Formula (LCFF). Total LCFF increased from \$178.8 million in 2015-2016 to \$185.1 million in 2016-2017.
- Total General Fund expenditures and transfers out totaled \$231 million, and included actions to support the goals outlined in the District's Local Control Accountability Plan.
- The District's 2016-2017 P-2 Average Daily Attendance (ADA), excluding charter schools and students in County programs, was reported at 21,484, a decrease of 108 over the prior year.
- The District filed a positive status for both the First and Second Interim reports in 2016-2017.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

DISTRICT-WIDE STATEMENTS

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of grade seven through grade twelve students, adult education students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as certificates of participation, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$170.3 million for the fiscal year ended June 30, 2017. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 284,224,163	\$ 322,673,043
Non-current assets	2,049,264	2,023,567
Capital assets	606,789,954	569,080,246
Total Assets	893,063,381	893,776,856
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	49,012,138	45,220,960
Liabilities		
Current liabilities	26,421,034	29,782,129
Long-term obligations	522,235,196	516,550,261
Aggregate pension liability	205,095,020	180,050,642
Total Liabilities	753,751,250	726,383,032
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	18,024,759	35,465,994
Net Position		
Net investment in capital assets	385,673,439	372,984,133
Restricted	31,581,785	60,186,400
Unrestricted (Deficit)	(246,955,714)	(256,021,743)
Total Net Position	\$ 170,299,510	\$ 177,148,790

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the statement for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 299,553	\$ 328,193
Operating grants and contributions	33,097,353	35,036,666
General revenues:		
Federal and State aid, not restricted	148,378,045	154,410,227
Property taxes	71,435,433	65,055,712
Other general revenues	13,079,128	13,532,577
Total Revenues	266,289,512	268,363,375
Expenses		
Instruction	149,693,032	134,583,225
Instruction-related	32,814,782	30,273,481
Pupil services	34,884,606	31,832,659
Administration	19,355,298	19,634,346
Plant services	26,996,624	26,568,628
Ancillary and community services	1,683,312	1,455,744
Debt service	7,334,299	19,569,461
Other	376,839	457,025
Total Expenses	273,138,792	264,374,569
Change in Net Position	\$ (6,849,280)	\$ 3,988,806

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all governmental activities in 2016-2017 was \$273.1 million. The amount that our taxpayers ultimately financed for these activities through local taxes was \$71.4 million. The remaining cost was paid by those who benefited from the programs \$0.3 million, or by other governments and organizations who subsidized certain programs with \$33.4 million in grants and contributions. The remaining "public benefit" portion of our governmental activities were paid with \$148.4 million in Federal and State aid, and \$13.1 million with other General Fund revenue sources such as interest and general entitlements.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

In Table 3, we have presented the cost of each of the District's largest functions - instruction, instruction-related activities, pupil services, administration, plant services, ancillary services, and other activities, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction and instruction-related	\$ 182,507,814	\$ 164,856,706	\$ 155,557,952	\$ 138,891,153
Pupil services	34,884,606	31,832,659	29,101,099	24,485,460
Administration	19,355,298	19,634,346	19,032,213	19,494,636
Plant services	26,996,624	26,568,628	26,976,710	26,084,311
Ancillary and community services	1,683,312	1,455,744	1,589,650	1,293,869
Debt service	7,334,299	19,569,461	7,334,299	19,569,461
Other outgo	376,839	457,025	149,963	(809,180)
Total	\$ 273,138,792	\$ 264,374,569	\$ 239,741,886	\$ 229,009,710

THE DISTRICT'S FUNDS

Upon completion of the 2016-2017 fiscal year, the District's governmental funds reported a combined fund balance of \$261.1 million, a decrease of \$35.8 million from 2015-2016 (Table 4).

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 48,819,204	\$ 232,665,835	\$ 230,983,692	\$ 50,501,347
Building Fund	176,679,931	1,801,264	27,767,030	150,714,165
Non-Major Governmental Funds	71,415,792	40,982,564	52,512,387	59,885,969
Total	\$ 296,914,927	\$ 275,449,663	\$ 311,263,109	\$ 261,101,481

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 7, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report on page 73.)

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$606.8 million in a broad range of capital assets (net of depreciation), including land, construction, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$37.7 million, or 6.6 percent, over the prior year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	\$ 256,588,888	\$ 211,913,699
Buildings and improvements, net of depreciation	345,984,017	352,613,322
Furniture and equipment, net of depreciation	4,217,049	4,553,225
Total	\$ 606,789,954	\$ 569,080,246

This year's additions totaled \$55.2 million, with the majority of expenses related to the site construction for Castaic High School, construction of the Canyon High School Auditorium, and the District-wide Proposition 39 Energy Improvement Project. The District's capital assets additions, deletions, and balances are presented in Note 6 in these financial statements.

Capital projects planned for the 2017-2018 year include construction of Castaic High School and Saugus High School Auditorium, permanent classroom additions at Placerita and Sierra Vista Junior High Schools, infrastructure upgrade at Hart High School, and track and field replacements at Saugus and Hart High Schools.

Long-Term Obligations

At June 30, 2017, the District had \$463.3 million in general obligation bonds and certificates of participation outstanding compared to \$464.4 million in June 30, 2016, an increase of \$1.1 million, or 0.2 percent. Other obligations consisted of those items listed in Table 6 below.

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 457,327,950	\$ 458,419,046
Certificates of participation	6,000,000	6,000,000
Capital leases	4,398,589	4,963,342
Compensated absences	1,131,286	1,401,721
Net OPEB obligation	53,377,371	45,766,152
Total	\$ 522,235,196	\$ 516,550,261

Other obligations include capital leases, compensated absences, and postemployment benefits. We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Net Pension Liability (NPL)

At year end, the District had a pension liability of \$205.1 million, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional information contact the Chief Financial Officer, at William S. Hart Union High School District, 21380 Centre Pointe Parkway, Santa Clarita, California, 91350, or e-mail at: rpeschek@hartdistrict.org.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 275,612,165
Receivables	8,314,951
Stores inventories	297,047
Non-current assets	2,049,264
Capital Assets:	
Land and construction in process	256,588,888
Other capital assets	522,638,952
Less: Accumulated depreciation	(172,437,886)
Total Capital Assets	606,789,954
Total Assets	893,063,381
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,283,357
Deferred outflows of resources related to pensions	44,728,781
Total Deferred Outflows of Resources	49,012,138
LIABILITIES	
Accounts payable	20,947,518
Interest payable	3,859,512
Unearned revenue	1,614,004
Long-Term Obligations	
Current portion of long-term obligations other than pensions	11,256,305
Noncurrent portion of long-term obligations other than pensions	510,978,891
Total Long-Term Obligations	522,235,196
Aggregate net pension liability	205,095,020
Total Liabilities	753,751,250
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	18,024,759
NET POSITION	
Net investment in capital assets	385,673,439
Restricted for:	
Debt service	16,955,056
Capital projects	10,924,096
Educational programs	2,421,229
Other activities	1,281,404
Unrestricted	(246,955,714)
Total Net Position	\$ 170,299,510

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 149,693,032	\$ 213,349	\$ 24,967,272	\$ (124,512,411)
Instruction-related activities:				
Supervision of instruction	6,552,082	13,214	1,361,413	(5,177,455)
Instructional library, media, and technology	3,851,018	-	7,687	(3,843,331)
School site administration	22,411,682	6	386,921	(22,024,755)
Pupil services:				
Home-to-school transportation	6,502,102	1	188,439	(6,313,662)
Food services	3,676,064	-	-	(3,676,064)
All other pupil services	24,706,440	70,282	5,524,785	(19,111,373)
General administration:				
Data processing	7,216,669	-	871	(7,215,798)
All other general administration	12,138,629	-	322,214	(11,816,415)
Plant services	26,996,624	-	19,914	(26,976,710)
Ancillary services	1,617,309	42	93,620	(1,523,647)
Community services	66,003	-	-	(66,003)
Interest on long-term obligations	7,334,299	-	-	(7,334,299)
Other outgo	376,839	2,659	224,217	(149,963)
Total Governmental Activities	\$ 273,138,792	\$ 299,553	\$ 33,097,353	(239,741,886)
General Revenues and Subventions:				
Property taxes, levied for general purposes				46,157,515
Property taxes, levied for debt service				24,989,422
Property taxes, levied for other specific purposes				288,496
State aid not restricted to specific purposes				148,378,045
Interest and investment earnings				2,929,316
Transfers between agencies				765,278
Miscellaneous				9,384,534
Total General Revenues and Subventions				232,892,606
Change in Net Position				(6,849,280)
Net Position - Beginning				177,148,790
Net Position - Ending				\$ 170,299,510

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 61,595,003	\$ 152,546,277	\$ 60,912,570
Receivables	6,726,113	782,079	803,914
Stores inventories	214,501	-	82,546
Total Assets	\$ 68,535,617	\$ 153,328,356	\$ 61,799,030
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,420,266	\$ 2,614,191	\$ 1,913,061
Unearned revenue	1,614,004	-	-
Total Liabilities	18,034,270	2,614,191	1,913,061
Fund Balances:			
Nonspendable	241,113	-	82,546
Restricted	2,421,229	150,714,165	48,621,737
Committed	-	-	3,501,785
Assigned	15,329,017	-	7,679,901
Unassigned	32,509,988	-	-
Total Fund Balances	50,501,347	150,714,165	59,885,969
Total Liabilities and Fund Balances	\$ 68,535,617	\$ 153,328,356	\$ 61,799,030

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

Total Governmental Funds	
\$	275,053,850
	8,312,106
	297,047
\$	283,663,003
\$	20,947,518
	1,614,004
	22,561,522
	323,659
	201,757,131
	3,501,785
	23,008,918
	32,509,988
	261,101,481
\$	283,663,003

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds **\$ 261,101,481**

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 779,227,840	
Accumulated depreciation is	<u>(172,437,886)</u>	
Net Capital Assets		606,789,954

Expenditures relating to issuance of debt were recognized on the modified accrual basis. Under the accrual basis, these expenditures are capitalized and amortized as an adjustment to interest expense. 4,283,357

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (3,859,512)

An internal service fund is used by the District's management to charge the costs of the dental and vision benefits program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are: 561,160

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:

Pension contributions subsequent to measurement date	17,117,364	
Net change in proportionate share of net pension liability	4,857,535	
Differences between projected and actual earnings on pension plan investments	20,416,752	
Differences between expected and actual experience in the measurement of the total pension liability.	<u>2,337,130</u>	
Total Deferred Outflows of Resources Related to Pensions		44,728,781

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED) JUNE 30, 2017

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:

Net change in proportionate share of net pension liability	\$ (12,714,669)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,677,504)	
Changes in assumptions	<u>(1,632,586)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (18,024,759)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (205,095,020)

Expenditures relating to contributions made to life insurance plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 2,049,264

Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.

Long-term obligations at year end consist of:

Bonds payable	(359,655,434)
Premium on issuance	(21,661,683)
Certificates of participation	(6,000,000)
Capital lease obligations	(4,398,589)
Compensated absences (vacations)	(1,131,286)
Net OPEB obligation	(53,377,371)

In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:

Total Long-Term Obligations	<u>(76,010,833)</u>	(522,235,196)
Total Net Position - Governmental Activities		<u><u>\$ 170,299,510</u></u>

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS

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

	General Fund	Building Fund	Non-Major Governmental Funds
REVENUES			
Local Control Funding Formula	\$ 185,059,117	\$ -	\$ 33,695
Federal sources	5,994,635	-	1,914,915
Other State sources	24,186,578	-	1,112,253
Other local sources	17,425,505	1,801,264	28,724,574
Total Revenues	232,665,835	1,801,264	31,785,437
EXPENDITURES			
Current			
Instruction	130,603,157	-	615,808
Instruction-related activities:			
Supervision of instruction	5,893,090	-	69,117
Instructional library, media, and technology	2,669,522	-	-
School site administration	17,993,817	-	301,312
Pupil services:			
Home-to-school transportation	4,972,468	-	-
Food services	-	-	3,453,324
All other pupil services	22,914,877	-	23,066
General administration:			
Data processing	6,942,855	-	-
All other general administration	10,699,189	-	364,298
Plant services	23,442,951	20,523	286,291
Facility acquisition and construction	174,581	27,746,507	27,468,849
Ancillary services	1,476,838	-	-
Community services	53,034	-	-
Other outgo	376,839	-	-
Debt service			
Principal	564,753	-	10,495,000
Interest and other	153,583	-	9,054,934
Total Expenditures	228,931,554	27,767,030	52,131,999
Excess (Deficiency) of Revenues Over Expenditures	3,734,281	(25,965,766)	(20,346,562)
Other Financing Sources (Uses)			
Transfers in	-	-	2,432,526
Other sources	-	-	6,764,601
Transfers out	(2,052,138)	-	(380,388)
Net Financing Sources (Uses)	(2,052,138)	-	8,816,739
NET CHANGE IN FUND BALANCES	1,682,143	(25,965,766)	(11,529,823)
Fund Balances - Beginning	48,819,204	176,679,931	71,415,792
Fund Balances - Ending	\$ 50,501,347	\$ 150,714,165	\$ 59,885,969

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

Total	
Governmental	
Funds	
\$	185,092,812
	7,909,550
	25,298,831
	47,951,343
	<u>266,252,536</u>
	131,218,965
	5,962,207
	2,669,522
	18,295,129
	4,972,468
	3,453,324
	22,937,943
	6,942,855
	11,063,487
	23,749,765
	55,389,937
	1,476,838
	53,034
	376,839
	11,059,753
	9,208,517
	<u>308,830,583</u>
	<u>(42,578,047)</u>
	2,432,526
	6,764,601
	<u>(2,432,526)</u>
	<u>6,764,601</u>
	(35,813,446)
	296,914,927
\$	<u><u>261,101,481</u></u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ (35,813,446)**

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation expense in the period.

Capital outlays	\$ 55,195,504	
Depreciation expense	<u>(13,491,139)</u>	
Net Expense Adjustment		41,704,365

In the Statement of Activities, Other Postemployment Benefits (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC).

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$7,611,219.

(7,611,219)

Loss on disposal of capital assets is reported in the government-wide financial Statement of Net Position, but is not recorded in the governmental funds.

(3,994,657)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was more than amounts earned by \$270,435.

270,435

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred inflows and net pension liability during the year.

(3,341,952)

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

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

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 10,495,000	
Capital lease obligations	<u>564,753</u>	
Combined adjustment		\$ 11,059,753

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	1,624,692	
Amortization of deferred amount on refunding	(470,013)	
Increase in cash surrender value of insurance	<u>25,697</u>	
Combined adjustment		1,180,376

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by \$719,539, and second, \$11,028,596 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(10,309,057)

An internal service fund is used by the District's management to charge the costs of the health and welfare benefits program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

	6,122	
Change in Net Position of Governmental Activities	<u><u>\$ (6,849,280)</u></u>	

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 558,315
Receivables	2,845
Total Assets	\$ 561,160
NET POSITION	
Restricted	\$ 561,160

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities Internal Service Fund
NONOPERATING REVENUES	
Interest income	\$ 6,122
Change in Net Position	6,122
Total Net Position - Beginning	555,038
Total Net Position - Ending	<u>\$ 561,160</u>

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>\$ 3,277</u>
Net Increase in Cash and Cash Equivalents	3,277
Cash and Cash Equivalents - Beginning	555,038
Cash and Cash Equivalents - Ending	<u><u>\$ 558,315</u></u>

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2017

	Agency Funds			Trust Funds	Total Fiduciary Funds
	Associated Student Bodies	Debt Service Special Tax Bonds	Warrant Pass-Through	Private-Purpose Trust Fund	
ASSETS					
Deposits and investments	\$ 3,509,277	\$ 14,004,203	\$ 1,310,276	\$ 372,919	\$ 19,196,675
Receivables	8,039	11,825	14,871	1,848	36,583
Prepaid expenditures	27,494	-	-	-	27,494
Stores inventory	6,629	-	-	-	6,629
Total Assets	<u>\$ 3,551,439</u>	<u>\$ 14,016,028</u>	<u>\$ 1,325,147</u>	<u>374,767</u>	<u>19,267,381</u>
LIABILITIES					
Accounts payable	\$ 49,239	\$ -	\$ -	5,750	54,989
Due to student groups	3,502,200	-	-	-	3,502,200
Due to bond holders	-	14,016,028	-	-	14,016,028
Due to other agencies	-	-	1,325,147	-	1,325,147
Total Liabilities	<u>\$ 3,551,439</u>	<u>\$ 14,016,028</u>	<u>\$ 1,325,147</u>	<u>5,750</u>	<u>18,898,364</u>
NET POSITION					
Held in trust for scholarships				<u>\$ 369,017</u>	<u>\$ 369,017</u>

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust Fund
ADDITIONS	
Private donations	\$ 151,200
Interest	3,838
Total Additions	<u>155,038</u>
DEDUCTIONS	
Other expenditures	<u>215,050</u>
Change in Net Position	(60,012)
Net Position - Beginning	<u>429,029</u>
Net Position - Ending	<u><u>\$ 369,017</u></u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

William S. Hart Union High School District (the District) was established in 1945 under the laws of the State of California. The District operates under a locally elected Board form of government and provides educational services to grades 7-12 as mandated by the State and/or Federal agencies. The District operates six junior high schools, six comprehensive high schools, a continuation school, a middle college high school, an independent study school, a home school support program, an adult school, and a regional occupational program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For William S. Hart Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The William S. Hart Joint School Financing Authority (the JFA), the Saugus/Hart School Facilities Financing Authority (the Authority), and the William S. Hart Union High School Educational Facilities Corporation (the Corporation) financial activity are presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation issued by the JFA, the Authority, and the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements are not prepared for the JFA, the Authority, or the Corporation.

William S. Hart Union High School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$15,329,017.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

QZAB Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on certificates of participation.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the Local Education Agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self-Insurance program for health and welfare services that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial *Statement of Activities* presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the *Statement of Net Position*. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 combined balance sheet and revenue is recognized.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental-type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial *Statement of Net Position*. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities *Statement of Net Position*. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on the refunding of debt and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2017. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$31,581,785 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;

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- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

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

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

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

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

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

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

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

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 275,612,165
Fiduciary funds	19,196,675
Total Deposits and Investments	<u>\$ 294,808,840</u>

Deposits and investments as of June 30, 2017, consisted of the following:

Cash on hand and in banks	\$ 11,853,818
Cash in revolving	26,612
Investments	282,928,410
Total Deposits and Investments	<u>\$ 294,808,840</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the Riverside County Investment Pool.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Los Angeles County Treasury Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Investment Type	Reported Amount	Maturity Date
U.S. Treasuries	\$ 1,113,944	8/31/2017
Commercial Paper	6,760,199	29*
Certificates of Deposit	2,394,000	11/30/2018
Money Market Mutual Funds - Invesco Treasury Portfolio	1,619,927	23*
Money Market Mutual Funds - Blackrock	12,744,841	32*
Money Market Mutual Funds - Fidelity	1,177	33*
Money Market Mutual Funds - US Bank	736,629	7/1/2017
Los Angeles County Treasury Investment Pool	257,557,693	672*
Total	<u>\$ 282,928,410</u>	

*Weighted-average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated.

Investment Type	Minimum Legal Rating	Moody's Rating as of June 30, 2017	Reported Amount
U.S. Treasuries	Not Required	Not Rated	\$ 1,113,944
Commercial Paper	P-1	P-1	6,760,199
Certificates of Deposit	Not Required	Not Required	2,394,000
Money Market Mutual Funds - Invesco Treasury Portfolio	Not Required	Aaa-mf	1,619,927
Money Market Mutual Funds - Blackrock	Not Required	AAA-mf	12,744,841
Money Market Mutual Funds - Fidelity	Not Required	AAA-mf	1,177
Money Market Mutual Funds - US Bank	Not Required	AAA-mf	736,629
Los Angeles County Treasury Investment Pool	Not Required	Not Rated	257,557,693
Total			<u>\$ 282,928,410</u>

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NOTES TO FINANCIAL STATEMENTS

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Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Fair Value Measurements Using	Uncategorized
		Level 2 Inputs	
Certificates of Deposit	\$ 2,394,000	\$ 2,394,000	\$ -
Los Angeles County Treasury Investment Pool	257,557,693	-	257,557,693
Total	<u>\$ 259,951,693</u>	<u>\$ 2,394,000</u>	<u>\$ 257,557,693</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund	Proprietary Fund
Federal Government						
Categorical aid	\$ 1,299,453	\$ -	\$ 199,663	\$ 1,499,116	\$ -	\$ -
State Government						
State principal apportionment	1,471,356	-	13,839	1,485,195	-	-
Categorical aid	847,521	-	346,107	847,521	-	-
Lottery	952,847	-	-	952,847	-	-
Local Government						
Interest	61,934	782,079	242,748	1,086,761	-	-
Other local sources	2,093,002	-	1,557	2,094,559	36,583	2,845
Total	<u>\$ 6,726,113</u>	<u>\$ 782,079</u>	<u>\$ 803,914</u>	<u>\$ 7,965,999</u>	<u>\$ 36,583</u>	<u>\$ 2,845</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - NON-CURRENT ASSETS

Cash Surrender Value of Insurance:

During 2004-2005, the District entered into a Supplemental Employee Retirement Plan (SERP) for eligible employees. The plan required employees to apply for and receive life insurance through Lincoln National Life. The employees assigned the cash surrender value and proceeds from the death benefit of the policy to the District. The agreement required the District to pay the premium necessary to fund the annuity benefits payable to the participants as well as the life insurance component of approximately \$2.1 million. The benefit payments received from the life insurance policies will ultimately defray the cost of the program. The cash surrender value of the plan participants is the quoted market price of the underlying securities, further supported by a stable value wrap, which mitigates, but does not fully protect the investment against changes in the fair market value depending on the severity and duration of market price disruption. The fair value of the general account life insurance policy is based on the insurance contract cash surrender value. At June 30, 2017, the cash surrender balance outstanding was \$2,049,264.

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 123,839,428	\$ -	\$ -	\$ 123,839,428
Construction in progress	88,074,271	54,485,506	9,810,317	132,749,460
Total Capital Assets Not Being Depreciated	211,913,699	54,485,506	9,810,317	256,588,888
Capital Assets Being Depreciated				
Land improvements	51,361,021	4,001,737	-	55,362,758
Buildings	440,973,384	5,808,580	6,007,011	440,774,953
Furniture and equipment	25,791,243	709,998	-	26,501,241
Total Capital Assets Being Depreciated	518,125,648	10,520,315	6,007,011	522,638,952
Total Capital Assets	730,039,347	65,005,821	15,817,328	779,227,840
Less Accumulated Depreciation				
Land improvements	26,710,545	2,651,224	-	29,361,769
Buildings	113,010,538	9,793,741	2,012,354	120,791,925
Furniture and equipment	21,238,018	1,046,174	-	22,284,192
Total Accumulated Depreciation	160,959,101	13,491,139	2,012,354	172,437,886
Governmental Activities Capital Assets, Net	\$ 569,080,246	\$ 51,514,682	\$ 13,804,974	\$ 606,789,954

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities

Instruction	\$ 7,175,834
Supervision of instruction	247,004
Instructional library, media, and technology	132,137
School site administration	956,979
Home-to-school transportation	274,320
Food services	222,740
All other pupil services	1,140,354
Ancillary services	74,747
Community services	12,969
All other administration	747,540
Data processing	205,841
Plant services	2,300,674
Total Depreciation Expenses Governmental Activities	<u>\$ 13,491,139</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Non-Major Governmental Funds	\$ 2,052,138	\$ 380,388	\$ 2,432,526
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to cover costs.			\$ 2,052,138
The Capital Facilities Non-Major Governmental Fund transferred to the QZAB Non-Major Governmental Fund for debt service payments.			376,905
The Capital Projects Non-Major Governmental Fund for Blended Component Units transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of costs.			3,342
The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of costs.			141
Total			\$ 2,432,526

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 2,959,591	\$ -	\$ 281,034	\$ 3,240,625	\$ 54,989
State principal apportionment	4,426,980	-	-	4,426,980	-
Salaries and benefits	9,033,695	-	51,902	9,085,597	-
Construction	-	2,614,191	1,580,124	4,194,315	-
Total	\$ 16,420,266	\$ 2,614,191	\$ 1,913,060	\$ 20,947,517	\$ 54,989

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General
	Fund
State categorical aid	<u>\$ 1,614,004</u>

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2017, is shown below:

	Balance			Balance	Due in
	July 1, 2016	Additions	Deductions	June 30, 2017	One Year
Governmental Activities					
General Obligation Bonds	\$ 435,132,671	\$ 11,028,596	\$ 10,495,000	\$ 435,666,267	\$ 10,661,841
Premium on issuance	23,286,375	-	1,624,692	21,661,683	-
Certificates of Participation	6,000,000	-	-	6,000,000	-
Capital Leases	4,963,342	-	564,753	4,398,589	594,464
Compensated Absences	1,401,721	-	270,435	1,131,286	-
Net OPEB Obligation	45,766,152	11,946,789	4,335,570	53,377,371	-
Total Governmental Activities	<u>\$ 516,550,261</u>	<u>\$ 22,975,385</u>	<u>\$ 17,290,450</u>	<u>\$ 522,235,196</u>	<u>\$ 11,256,305</u>

- Payments for General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues.
- Payments on the Certificates of Participation are made in the QZAB Fund.
- Payments for Capital Lease Obligations are made by the General Fund.
- Payments for Compensated Absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for the OPEB obligation will be paid by the fund for which the employee worked.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

General Obligation Bonds Summary

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2016	Issued/ Accreted	Redeemed	Outstanding June 30, 2017
6/10/2005	9/1/2029	3.00% - 5.00%	\$ 87,996,106	\$ 82,571,013	\$ 3,645,527	\$ 6,095,000	\$ 80,121,540
5/29/2009	8/1/2033	4.00% - 6.47%	75,174,766	70,728,997	4,168,995	345,000	74,552,992
11/17/2011	8/1/2036	2.75% - 6.50%	40,567,734	48,729,787	2,357,320	990,000	50,097,107
2/6/2012	9/1/2027	1.25% - 5.00%	48,945,000	43,815,000	-	880,000	42,935,000
2/6/2013	8/1/2038	2.00% - 5.03%	168,280,123	162,552,874	856,754	1,550,000	161,859,628
6/30/2016	8/1/2025	2.00% - 5.00%	26,735,000	26,735,000	-	635,000	26,100,000
				<u>\$ 435,132,671</u>	<u>\$ 11,028,596</u>	<u>\$ 10,495,000</u>	<u>\$ 435,666,267</u>

Election 2001 General Obligation Bonds, Series B

On June 10, 2005, the District issued \$87,996,106 of the 2001 General Obligation Bonds, Series B. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on September 1, 2029, with interest yields ranging from 3.00 to 5.00 percent. At June 30, 2017, the principal balance outstanding was \$80,121,540 and unamortized premium on issuance was \$664,963.

The bonds mature through 2030 as follows:

Fiscal Year	Principal		Total
	Including Accreted Interest to Date	Accreted Interest	
2018	\$ 6,196,841	\$ 78,159	\$ 6,275,000
2019	6,113,054	356,946	6,470,000
2020	6,009,165	650,835	6,660,000
2021	5,907,415	957,585	6,865,000
2022	5,794,102	1,270,898	7,065,000
2023-2027	27,465,446	11,189,554	38,655,000
2028-2030	22,635,517	16,539,483	39,175,000
Total	<u>\$ 80,121,540</u>	<u>\$ 31,043,460</u>	<u>\$ 111,165,000</u>

Election 2008 General Obligation Bonds, Series A

On May 29, 2009, the District issued \$75,174,766 of the 2008 General Obligation Bonds, Series A. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2033, with interest yields ranging from 4.00 to 6.47 percent. At June 30, 2017, the principal balance outstanding was \$74,552,992 and unamortized premium on issuance was \$1,415,607.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The bonds mature through 2034 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 895,000	\$ -	\$ 163,300	\$ 1,058,300
2019	1,485,000	-	115,700	1,600,700
2020	2,150,000	-	43,000	2,193,000
2021	-	-	-	-
2022	-	-	-	-
2023-2027	-	-	-	-
2028-2032	45,739,236	64,210,764	-	109,950,000
2033-2034	24,283,756	41,556,244	-	65,840,000
Total	<u>\$ 74,552,992</u>	<u>\$ 105,767,008</u>	<u>\$ 322,000</u>	<u>\$ 180,642,000</u>

Election 2008 General Obligation Bonds, Series B

On November 17, 2011, the District issued \$40,567,734 of the 2008 General Obligation Bonds, Series B. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2036, with interest yields ranging from 2.75 to 6.50 percent. At June 30, 2017, the principal balance outstanding was \$50,097,107 and unamortized premium on issuance was \$2,539,280.

The bonds mature through 2037 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 1,110,000	\$ -	\$ 550,150	\$ 1,660,150
2019	1,280,000	-	502,350	1,782,350
2020	1,465,000	-	440,125	1,905,125
2021	1,685,000	-	361,375	2,046,375
2022	1,925,000	-	271,125	2,196,125
2023-2027	12,475,096	5,994,904	195,000	18,665,000
2028-2032	5,714,675	5,465,325	-	11,180,000
2033-2037	24,442,336	51,382,664	-	75,825,000
Total	<u>\$ 50,097,107</u>	<u>\$ 62,842,893</u>	<u>\$ 2,320,125</u>	<u>\$ 115,260,125</u>

2012 General Obligation Refunding Bonds

On February 16, 2012, the District issued \$48,945,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund Election 2001, Series A bonds maturing on or after September 1, 2013, and to pay certain costs of issuing the bonds. The bonds were issued as current interest serial bonds and carry interest rates ranging from 1.25 percent to 5.00 percent. The net proceeds were used to purchase U. S. government securities.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2017**

Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time payment is recorded as deferred charges on the refunding statement of net position, and are amortized to interest expense over the life of the liability. At June 30, 2017, the principal balance outstanding was \$42,935,000 and unamortized premium on issuance and deferred charge on refunding were \$5,200,427 and \$340,736, respectively.

The bonds mature through 2028 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 445,000	\$ 1,881,375	\$ 2,326,375
2019	515,000	1,864,400	2,379,400
2020	3,325,000	1,792,600	5,117,600
2021	3,605,000	1,659,000	5,264,000
2022	3,910,000	1,508,700	5,418,700
2023-2027	24,880,000	4,608,675	29,488,675
2028	6,255,000	156,375	6,411,375
Total	<u>\$ 42,935,000</u>	<u>\$ 13,471,125</u>	<u>\$ 56,406,125</u>

Election 2008 General Obligation Bonds, Series C

On February 6, 2013, the District issued \$168,280,123 of the 2008 General Obligation Bonds, Series C. The bonds were issued for the purpose of financing the addition and modernization of school facilities. The bonds mature on August 1, 2038, with interest yields ranging from 2.00 to 5.03 percent. At June 30, 2017, the principal balance outstanding was \$161,859,628 and unamortized premium on issuance was \$6,841,744.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The bonds mature through 2039 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 1,850,000	\$ -	\$ 5,628,838	\$ 7,478,838
2019	2,420,000	-	5,543,438	7,963,438
2020	2,555,000	-	5,443,938	7,998,938
2021	2,410,000	-	5,356,688	7,766,688
2022	2,470,000	-	5,271,138	7,741,138
2023-2027	23,805,000	-	24,131,588	47,936,588
2028-2032	24,570,000	-	17,740,106	42,310,106
2033-2037	3,890,000	-	15,355,500	19,245,500
2038-2039	97,889,628	30,780,372	3,248,094	131,918,094
Total	<u>\$ 161,859,628</u>	<u>\$ 30,780,372</u>	<u>\$ 87,719,328</u>	<u>\$ 280,359,328</u>

2016 General Obligation Refunding Bonds

On June 30, 2016, the District issued \$26,735,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund Election 2008, Series A bonds maturing on or after August 1, 2020, and to pay certain costs of issuing the bonds. The bonds were issued as current interest serial bonds and carry interest rates ranging from 2.00 percent to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time payment is recorded as deferred charges on the refunding statement of net position, and are amortized to interest expense over the life of the liability. At June 30, 2017, the principal balance outstanding was \$26,100,000 and unamortized premium on issuance and deferred charge on refunding were \$4,999,662 and \$3,942,621, respectively.

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ 165,000	\$ 1,331,350	\$ 1,496,350
2019	165,000	1,330,550	1,495,550
2020	170,000	2,632,200	2,802,200
2021	2,775,000	4,255,000	7,030,000
2022	3,530,000	4,651,400	8,181,400
2023-2026	19,295,000	19,281,050	38,576,050
Total	<u>\$ 26,100,000</u>	<u>\$ 33,481,550</u>	<u>\$ 59,581,550</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2017**

Certificates of Participation

On January 1, 2004, the District issued Certificates of Participation, 2004 Qualified Zone Academy Bonds Project in the aggregate principal amount of \$6,000,000, zero percent interest, due and payable in January 2019. The bonds were issued to assist in the financing of the District's Career Technical Education Plan.

The bonds will be repaid through fund accumulation. The District shall make 13 annual payments to US Bank, which should be sufficient to pay the principal represented by the Certificates when due and payable. Should the funds accumulated be insufficient to pay the principal at maturity, the District is responsible for contributing the additional amount necessary to repay the bonds. The interest rate for the repayment fund is currently 5.51 percent with a corresponding annual payment of \$376,905 which began on January 30, 2007. At June 30, 2017, the principal balance outstanding was \$6,000,000.

Capital Leases - Governmental Activities

The District's liability on lease agreements with options to purchase is summarized below:

	Vehicles	Energy Management Equipment	Total
Balance, July 1, 2016	\$ 445,536	\$ 5,302,993	\$ 5,748,529
Additions	-	-	-
Payments	222,768	495,568	718,336
Balance, June 30, 2017	<u>\$ 222,768</u>	<u>\$ 4,807,425</u>	<u>\$ 5,030,193</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 727,354
2019	526,368
2020	548,944
2021	569,344
2022	547,690
2023-2026	2,110,493
Total	5,030,193
Less: Amount Representing Interest	631,604
Present Value of Minimum Lease Payments	<u>\$ 4,398,589</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2017**

Leased equipment under capital leases in capital assets at June 30, 2017, includes the following:

Equipment	\$ 5,924,038
Less: Accumulated depreciation	(192,867)
Total	<u>\$ 5,731,171</u>

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$1,131,286.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$9,887,312, and contributions made by the District during the year were \$2,094,943. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$2,059,477 and \$(2,240,627), respectively, which resulted in an increase to the net OPEB obligation of \$7,611,219. As of June 30, 2017, the net OPEB obligation was \$53,377,371. See Note 14 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$71,720,000 as of June 30, 2017, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	\$ 26,612	\$ -	\$ -	\$ 26,612
Stores inventories	214,501	-	82,546	297,047
Total Nonspendable	241,113	-	82,546	323,659
Restricted				
Educational programs	2,421,229	-	1,281,404	3,702,633
Capital projects	-	150,714,165	26,525,765	177,239,930
Debt services	-	-	20,814,568	20,814,568
Total Restricted	2,421,229	150,714,165	48,621,737	201,757,131
Committed				
Deferred maintenance program	-	-	3,501,785	3,501,785
Assigned				
Castaic Opening	2,000,000	-	-	2,000,000
Instructional Materials	8,400,000	-	-	8,400,000
OPEB Liability	1,000,000	-	-	1,000,000
Schools Buses	600,000	-	-	600,000
LACOE BEST Project	1,250,000	-	-	1,250,000
Fiscal Solvency	2,079,017	-	-	2,079,017
Capital projects	-	-	7,673,990	7,673,990
Other assignments	-	-	5,911	5,911
Total Assigned	15,329,017	-	7,679,901	23,008,918
Unassigned				
Economic uncertainties	6,774,902	-	-	6,774,902
Remaining unassigned	25,735,086	-	-	25,735,086
Total Unassigned	32,509,988	-	-	32,509,988
Total	\$ 50,501,347	\$ 150,714,165	\$ 59,885,969	\$ 261,101,481

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 13 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund(s) exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 228,297,150</u>	<u>\$ 230,983,692</u>	<u>\$ 2,686,542</u>

NOTE 14 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the William S. Hart Union High School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 320 retirees and beneficiaries currently receiving benefits and 1,890 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Hart District Teachers Association (HDTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$2,094,943 to the Plan, of which \$1,379,712 was used for current premiums, and \$715,231 was for implicit subsidy.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 9,887,312
Interest on net OPEB obligation	2,059,477
Adjustment to annual required contribution	(2,240,627)
Annual OPEB cost (expense)	9,706,162
Contributions made	(2,094,943)
Increase in net OPEB obligation	7,611,219
Net OPEB obligation, beginning of year	45,766,152
Net OPEB obligation, end of year	<u>\$ 53,377,371</u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 9,766,943	\$ 1,938,182	19.84%	\$ 38,239,202
2016	9,735,955	2,209,005	22.69%	45,766,152
2017	9,706,162	2,094,943	21.58%	53,377,371

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 95,284,774	\$ 95,284,774	0%	\$ 146,591,960	65%

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 2.8 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rate used was 7.0 percent. The cost trend rate used for the Dental and Vision programs was 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2017, was 22 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 15 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, vision, dental, disability, and workers' compensation programs are administered by the District. The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance through Southern California Regional Liability Excess Fund Joint Powers Authority for first party damage with coverage up to a maximum of \$250 million, subject to Member Retained Limits ranging from \$1,000 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage up to \$25 million per occurrence and \$25 million aggregate, all subject to a \$10,000 Member Retained Limit per occurrence. The District self-insures workers' compensation coverage up to \$1,000,000 per occurrence with excess coverage up to \$10,000,000.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 150,755,276	\$ 27,987,030	\$ 14,234,311	\$ 13,574,976
CalPERS	54,339,744	16,741,751	3,790,448	6,884,340
Total	<u>\$ 205,095,020</u>	<u>\$ 44,728,781</u>	<u>\$ 18,024,759</u>	<u>\$ 20,459,316</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

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, 2017, are presented above and the District's total contributions were \$12,428,817.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 150,755,276
State's proportionate share of the net pension liability associated with the District	85,822,289
Total	<u>\$ 236,577,565</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, was 0.1864 percent and 0.2030 percent, respectively, resulting in a net decrease in the proportionate share of 0.0167 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$13,574,976. In addition, the District recognized pension expense and revenue of \$8,295,628 for support provided by the State. At June 30, 2017, 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	\$ 12,428,817	\$ -
Net change in proportionate share of net pension liability	3,573,242	10,556,807
Differences between projected and actual earnings on pension plan investments	11,984,971	-
Differences between expected and actual experience in the measurement of the total pension liability	-	3,677,504
Total	<u>\$ 27,987,030</u>	<u>\$ 14,234,311</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 261,472
2019	261,472
2020	6,966,904
2021	4,495,123
Total	<u>\$ 11,984,971</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the expected remaining service life (EARS�) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (1,715,985)
2019	(1,715,985)
2020	(1,715,985)
2021	(1,715,985)
2022	(1,715,985)
Thereafter	(2,081,144)
Total	<u>\$ (10,661,069)</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 216,970,842
Current discount rate (7.60%)	150,755,276
1% increase (8.60%)	95,760,476

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$4,688,547.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$54,339,744. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, was 0.2751 percent and 0.2941 percent, respectively, resulting in a net decrease in the proportionate share of 0.0190 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$6,884,340. At June 30, 2017, 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	\$ 4,688,547	\$ -
Net change in proportionate share of net pension liability	1,284,293	2,157,862
Difference between projected and actual earnings on pension plan investments	8,431,781	-
Differences between expected and actual experience in the measurement of the total pension liability	2,337,130	-
Changes of assumptions	-	1,632,586
Total	<u>\$ 16,741,751</u>	<u>\$ 3,790,448</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,182,669
2019	1,182,669
2020	3,865,823
2021	2,200,620
Total	<u>\$ 8,431,781</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the expected average remaining service life (EARSLS) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 154,105
2019	92,514
2020	(415,644)
Total	<u>\$ (169,025)</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 81,075,201
Current discount rate (7.65%)	54,339,744
1% increase (8.65%)	32,077,215

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$8,268,375 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS). No contributions were made to CalPERS for the year ended June 30, 2017. 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 budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Canyon - Welding Program Upgrade	\$ 15,191	2018
Golden Oak - Restroom Addition	32,027	2018
Placerita Classroom Addition Project	3,840,766	2018
Sierra Vista Classroom Addition Project	2,132,072	2019
Canyon Auditorium Project	34,430	2018
Hart Classroom Addition Project	3,011,313	2019
Saugus Auditorium Project	8,877,051	2018
Castaic High School Project	119,309,031	2020
Sierra Vista Kitchen Project	6,869	2018
Golden Valley and West Ranch Turf Replacement	217,227	2018
Castaic South Access Road	901,127	2021
Bowman High School Classroom	116,651	2018
Prop 39 Project	628,525	2018
	<u>\$ 139,122,280</u>	

NOTE 18 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Self Insurance Risk Management Authority (SIRMA), Self Insured Schools of California (SISC), and the Southern California Regional Liability Excess Fund (SoCal ReLiEF) joint powers authorities (JPAs). The District pays an annual premium to each entity for its workers' compensation (SIRMA I), employee benefits coverage (SIRMA III and SISC III), and property liability. The relationships between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2017, the District made payments of \$244,119, \$22,742, \$161,828, and \$944,783 to SIRMA I, SIRMA III, SISC III, and SoCal ReLiEF, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 184,687,279	\$ 186,027,505	\$ 185,059,117	\$ (968,388)
Federal sources	5,805,255	5,866,440	5,994,635	128,195
Other State sources	15,647,400	18,245,880	24,186,578	5,940,698
Other local sources	14,178,131	16,105,905	17,425,505	1,319,600
Total Revenues ¹	220,318,065	226,245,730	232,665,835	6,420,105
EXPENDITURES				
Current				
Certificated salaries	101,188,383	100,684,303	101,207,073	(522,770)
Classified salaries	36,134,603	37,103,679	37,638,583	(534,904)
Employee benefits	49,261,249	47,805,723	55,343,994	(7,538,271)
Books and supplies	12,326,432	11,333,189	11,244,561	88,628
Services and operating expenditures	22,346,063	22,446,936	21,358,968	1,087,968
Other outgo	361,467	1,195,117	602,530	592,587
Capital outlay	132,292	203,518	817,509	(613,991)
Debt service - principal	555,504	448,016	564,753	(116,737)
Debt service - interest	162,831	270,320	153,583	116,737
Total Expenditures ¹	222,468,824	221,490,801	228,931,554	(7,440,753)
Excess (Deficiency) of Revenues Over Expenditures	(2,150,759)	4,754,929	3,734,281	(1,020,648)
Other Financing Sources (Uses)				
Transfers in	-	250,400	-	(250,400)
Transfers out	(6,608,298)	(6,806,348)	(2,052,138)	4,754,210
Net Financing Sources (Uses)	(6,608,298)	(6,555,948)	(2,052,138)	4,503,810
NET CHANGE IN FUND BALANCE	(8,759,057)	(1,801,019)	1,682,143	3,483,162
Fund Balance - Beginning	48,819,204	48,819,204	48,819,204	-
Fund Balance - Ending	\$ 40,060,147	\$ 47,018,185	\$ 50,501,347	\$ 3,483,162

¹ On behalf payments of \$8,268,375 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	\$ -	\$ 63,081,295	\$ 63,081,295	0%	\$ 104,030,517	61%
July 1, 2012	-	59,881,856	59,881,856	0%	113,291,517	53%
July 1, 2015	-	95,284,774	95,284,774	0%	146,591,960	65%

See accompanying note to required supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.1864%	0.2030%	0.1962%
District's proportionate share of the net pension liability	\$ 150,755,276	\$ 136,700,881	\$ 114,641,815
State's proportionate share of the net pension liability associated with the District	85,822,289	72,299,697	69,225,678
Total	\$ 236,577,565	\$ 209,000,578	\$ 183,867,493
District's covered-employee payroll	\$ 115,832,404	\$ 112,435,135	\$ 101,064,291
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.15%	121.58%	113.43%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.2751%	0.2941%	0.2818%
District's proportionate share of the net pension liability	\$ 54,339,744	\$ 43,349,761	\$ 31,993,077
District's covered-employee payroll	\$ 39,575,817	\$ 32,853,929	\$ 33,585,300
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.31%	131.95%	95.26%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 12,428,817	\$ 9,984,240	\$ 8,337,804
Contributions in relation to the contractually required contribution	12,428,817	9,984,240	8,337,804
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 115,832,404	\$ 112,435,135	\$ 101,064,291
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	\$ 4,688,547	\$ 3,867,236	\$ 3,842,830
Contributions in relation to the contractually required contribution	4,688,547	3,867,236	3,842,830
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 39,575,817	\$ 32,853,929	\$ 33,585,300
Contributions as a percentage of covered-employee payroll	13.89%	11.85%	11.77%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 53,582
Adult Basic Education - Adult Secondary	84.002	13978	34,242
Total Adult Education - Basic Grants to States			<u>87,824</u>
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	261,857
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	33,478
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	244,097
Passed through Santa Clarita Valley Special Education Local Plan Area:			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,472,635
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	12,993
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	557,908
Total Special Education Cluster			<u>4,043,536</u>
Total U.S. Department of Education			<u>4,670,792</u>
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665	10044	75,002
Passed through CDE:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13390	14,119
Especially Needy Breakfast	10.553	13526	338,723
National School Lunch Program	10.555	13524	1,281,612
Food Distribution	10.555	13524	192,637
Total Child Nutrition Cluster			<u>1,827,091</u>
Total U.S. Department of Agriculture			<u>1,902,093</u>

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	<u>\$ 1,052,751</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>157,333</u>
U.S. DEPARTMENT OF REHABILITATION			
Workability II, Transitions Partnership Program	84.126	10006	<u>328,576</u>
Total Federal Programs			<u><u>\$ 8,111,545</u></u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

William S. Hart Union High School District was established on July 1, 1945, and consists of an area comprising approximately 370 square miles. The District operates six junior high schools, six comprehensive high schools, a continuation school, a middle college high school, an independent study school, a home school support program, an adult school, and a regional occupational program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Robert P. Hall	President	2017
Joseph V. Messina	Clerk	2017
Steven M. Sturgeon	Assistant Clerk	2019
Robert N. Jensen Jr.	Member	2017
Linda Storli	Member	2019

ADMINISTRATION

Victoria Engbrecht	Superintendent
Mike Kuhlman	Assistant Superintendent, Educational Services
Michael Vierra	Assistant Superintendent, Human Resources
Erin Lillibridge	Chief Financial Officer (Resigned on May 31, 2017)
Cathy Shepard	Interim Chief Financial Officer (Started on June 5, 2017)

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	6,571.95	6,561.23
Ninth through twelfth	14,850.24	14,734.26
Total Regular ADA	21,422.19	21,295.49
Extended Year Special Education		
Seventh and eighth	8.02	8.02
Ninth through twelfth	9.53	9.53
Total Extended Year Special Education	17.55	17.55
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	7.20	7.67
Ninth through twelfth	32.24	31.81
Total Special Education, Nonpublic, Nonsectarian Schools	39.44	39.48
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.35	1.35
Ninth through twelfth	3.75	3.75
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	5.10	5.10
Total ADA	21,484.28	21,357.62

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		54,645	180	N/A	Complied
Grade 8		54,645	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,045	180	N/A	Complied
Grade 10		65,045	180	N/A	Complied
Grade 11		65,045	180	N/A	Complied
Grade 12		65,045	180	N/A	Complied

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 219,410,860	\$ 232,665,835	\$ 231,663,888	\$ 195,911,601
Total Revenues and Other Sources	219,410,860	232,665,835	231,663,888	195,911,601
Expenditures	227,365,959	228,931,554	216,747,573	202,049,923
Other uses and transfers out	2,398,245	2,052,138	16,828,195	-
Total Expenditures and Other Uses	229,764,204	230,983,692	233,575,768	202,049,923
INCREASE (DECREASE) IN FUND BALANCE	\$ (10,353,344)	\$ 1,682,143	\$ (1,911,880)	\$ (6,138,322)
ENDING FUND BALANCE	\$ 40,148,003	\$ 50,501,347	\$ 48,819,204	\$ 38,650,084
AVAILABLE RESERVES ²	\$ 22,034,006	\$ 32,509,988	\$ 6,819,886	\$ 33,645,374
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.59%	14.46%	3.00%	16.65%
LONG-TERM OBLIGATIONS	N/A	\$522,235,196	\$516,550,261	\$499,539,997
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	22,405	21,484	21,592	21,758

The General Fund balance has increased by \$11,851,263 over the past two years. The fiscal year 2017-2018 budget projects a further decrease of \$10,353,344 (20.50 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$22,695,199 over the past two years.

Average daily attendance has decreased by 274 over the past two years. Growth of 921 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances contained within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

³ On behalf payments of \$8,268,375, \$6,210,515, and \$4,728,840 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

⁴ Excludes Charter School ADA.

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Albert Einstein Academy for Letters, Arts, and Science (Charter Number 1199)	No
Santa Clarita Valley International (Charter Number 0981)	No
Opportunities for Learning - Santa Clarita (Charter Number 0214)	No
Mission View Public (Charter Number 0888)	No

See accompanying note to supplementary information.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 426,237	\$ 978,956	\$ 3,494,367	\$ 13,308,882
Receivables	2,220	212,839	7,418	90,945
Stores inventories	-	82,546	-	-
Total Assets	<u>\$ 428,457</u>	<u>\$ 1,274,341</u>	<u>\$ 3,501,785</u>	<u>\$ 13,399,827</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>\$ 65,005</u>	<u>\$ 267,932</u>	<u>\$ -</u>	<u>\$ 702,225</u>
Fund Balances:				
Nonspendable	-	82,546	-	-
Restricted	357,541	923,863	-	12,697,602
Committed	-	-	3,501,785	-
Assigned	5,911	-	-	-
Total Fund Balances	<u>363,452</u>	<u>1,006,409</u>	<u>3,501,785</u>	<u>12,697,602</u>
Total Liabilities and Fund Balances	<u>\$ 428,457</u>	<u>\$ 1,274,341</u>	<u>\$ 3,501,785</u>	<u>\$ 13,399,827</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	QZAB Fund	Total Non-Major Governmental Funds
\$ -	\$ 8,120,003	\$ 13,769,557	\$ 15,910,369	\$ 4,904,199	\$ 60,912,570
-	384,656	105,836	-	-	803,914
-	-	-	-	-	82,546
<u>\$ -</u>	<u>\$ 8,504,659</u>	<u>\$ 13,875,393</u>	<u>\$ 15,910,369</u>	<u>\$ 4,904,199</u>	<u>\$ 61,799,030</u>
<u>\$ -</u>	<u>\$ 225,722</u>	<u>\$ 652,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,913,061</u>
-	-	-	-	-	82,546
-	604,947	13,223,216	15,910,369	4,904,199	48,621,737
-	-	-	-	-	3,501,785
-	7,673,990	-	-	-	7,679,901
<u>-</u>	<u>8,278,937</u>	<u>13,223,216</u>	<u>15,910,369</u>	<u>4,904,199</u>	<u>59,885,969</u>
<u>\$ -</u>	<u>\$ 8,504,659</u>	<u>\$ 13,875,393</u>	<u>\$ 15,910,369</u>	<u>\$ 4,904,199</u>	<u>\$ 61,799,030</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	\$ 33,695	\$ -	\$ -	\$ -
Federal sources	87,824	1,827,091	-	-
Other State sources	840,678	124,845	-	-
Other local sources	92,520	1,548,445	17,119	2,804,476
Total Revenues	<u>1,054,717</u>	<u>3,500,381</u>	<u>17,119</u>	<u>2,804,476</u>
EXPENDITURES				
Current				
Instruction	615,808	-	-	-
Instruction-related activities:				
Supervision of instruction	69,117	-	-	-
School site administration	301,312	-	-	-
Pupil services:				
Food services	-	3,453,324	-	-
All other pupil services	23,066	-	-	-
General administration:				
All other general administration	61,933	163,920	-	138,445
Plant services	3,087	71,017	43,100	137,972
Facility acquisition and construction	3,559	-	9,811	2,709,701
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>1,077,882</u>	<u>3,688,261</u>	<u>52,911</u>	<u>2,986,118</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(23,165)</u>	<u>(187,880)</u>	<u>(35,792)</u>	<u>(181,642)</u>
Other Financing Sources				
Transfers in	-	-	2,052,138	-
Other sources	(21,894)	-	-	-
Transfers out	-	-	-	(376,905)
Net Financing Sources	<u>(21,894)</u>	<u>-</u>	<u>2,052,138</u>	<u>(376,905)</u>
NET CHANGE IN FUND BALANCES	<u>(45,059)</u>	<u>(187,880)</u>	<u>2,016,346</u>	<u>(558,547)</u>
Fund Balances - Beginning	<u>408,511</u>	<u>1,194,289</u>	<u>1,485,439</u>	<u>13,256,149</u>
Fund Balances - Ending	<u><u>\$ 363,452</u></u>	<u><u>\$ 1,006,409</u></u>	<u><u>\$ 3,501,785</u></u>	<u><u>\$ 12,697,602</u></u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	QZAB Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,695
-	-	-	-	-	1,914,915
-	-	-	146,730	-	1,112,253
2	3,071,241	964,582	20,081,258	144,931	28,724,574
2	3,071,241	964,582	20,227,988	144,931	31,785,437
-	-	-	-	-	615,808
-	-	-	-	-	69,117
-	-	-	-	-	301,312
-	-	-	-	-	3,453,324
-	-	-	-	-	23,066
-	-	-	-	-	364,298
-	-	31,115	-	-	286,291
-	5,743,570	19,002,208	-	-	27,468,849
-	-	-	10,495,000	-	10,495,000
-	-	4,812	9,050,122	-	9,054,934
-	5,743,570	19,038,135	19,545,122	-	52,131,999
2	(2,672,329)	(18,073,553)	682,866	144,931	(20,346,562)
-	3,483	-	-	376,905	2,432,526
-	-	6,786,495	-	-	6,764,601
(141)	-	(3,342)	-	-	(380,388)
(141)	3,483	6,783,153	-	376,905	8,816,739
(139)	(2,668,846)	(11,290,400)	682,866	521,836	(11,529,823)
139	10,947,783	24,513,616	15,227,503	4,382,363	71,415,792
\$ -	\$ 8,278,937	\$ 13,223,216	\$ 15,910,369	\$ 4,904,199	\$ 59,885,969

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Administrative Activities funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 7,909,550
Medi-Cal Billing Option	93.778	534,204
Medi-Cal Administrative Activities Program	93.778	(332,209)
Total Schedule of Expenditures of Federal Awards		<u>\$ 8,111,545</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Financial Trends and Analysis

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.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balances Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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***

Governing Board
William S. Hart Union High School District
Santa Clarita, California

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 William S. Hart Union High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise William S. Hart Union High School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered William S. Hart 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 William S. Hart Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of William S. Hart 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 District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether William S. Hart 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

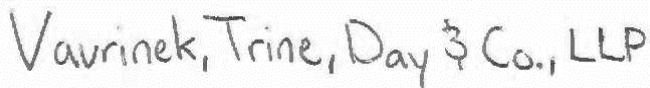
We noted certain matters that we reported to management of William S. Hart Union High School District in a separate letter dated December 12, 2017.

William S. Hart Union High School District's Response to Finding

William S. Hart Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. William S. Hart 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 the response.

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

A handwritten signature in dark ink that reads "Vavrinek, Trine, Day & Co., LLP". The signature is written in a cursive, slightly slanted style.

Rancho Cucamonga, California
December 12, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
William S. Hart Union High School District
Santa Clarita, California

Report on Compliance for Each Major Federal Program

We have audited William S. Hart Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of William S. Hart Union High School District's major Federal programs for the year ended June 30, 2017. William S. Hart 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 the 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 William S. Hart 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 William S. Hart 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 William S. Hart Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, William S. Hart 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of William S. Hart 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 William S. Hart 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 William S. Hart 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 a 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 identify certain material weaknesses and significant deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies as item 2017-002.

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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
William S. Hart Union High School District
Santa Clarita, California

Report on State Compliance

We have audited William S. Hart Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the William S. Hart Union High School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the William S. Hart Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about William S. Hart 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 opinions. Our audit does not provide a legal determination of William S. Hart Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, William S. Hart Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

In connection with the audit referred to above, we selected and tested transactions and records to determine the William S. Hart Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District is a high school district; therefore, we did not perform procedures related to Kindergarten Continuance.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District is a high school district; therefore, we did not perform procedures related to the K-3 Grade Span Adjustment.

The District does not offer an After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform procedures related to the Independent Study – Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

The Charter Schools are independent of the District; therefore, we did not perform any procedures related to charter schools.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>Yes</u>
Significant deficiency identified?	<u>Yes</u>
Type of report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2017-001 30000 - Financial Accounting Controls - Segregation of Duties

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely reporting of financial information to management and those charged with governance.

Condition

The following conditions were noted:

- Payroll specialists have full access to Human Resources and Payroll modules.
- Management has the ability to create and enter employee data, as well as approve the payroll to be processed.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through analysis and testing of internal controls over the District processes.

Effect

A lack of proper segregation of duties increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Cause

It appears that the condition materialized due to the recent changes and turnover in the Business Services, Human Resources, and Payroll departments.

Recommendation

The District should consider adding an additional layer of segregation of duties over the Payroll Department and provide continuous monitoring of the Payroll Department functions. The proper segregation of duties is essential to ensure the accuracy of transactions posted and to decrease the likelihood of misstatement due to error or fraud.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Corrective Action Plan

Management will review and clarify Payroll and Human Resource staff duties and responsibilities to eliminate any internal control issues, including removing Payroll's ability to create and enter employee data.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents significant deficiencies including questioned costs that are required to be reported by the Uniform Guidance. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2017-002 50000

Federal Program Affected

Title: Special Education Cluster

CFDA: 84.027, 84.027A

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition

The William S. Hart Union High School District did not have sufficient controls in place to ensure that employees working on multiple activities or cost objectives maintain time accounting documentation in accordance with Federal requirements. Specifically, out of 40 employees selected for testing, 40 were missing all or portions of their time accounting documentation for the 2016-2017 fiscal year.

Questioned Costs

The questioned costs associated with the condition found was \$6,005,335.

Context

A significant amount of the Federal expenditures related to these programs are derived from payroll costs. While the salaries appear to be reasonable and necessary for the program objectives, the District did not provide the required supporting documentation as outlined in the Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii). Further, there does not appear to be adequate policies and procedures necessary to support that the District has controls over compliance objectives.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Effect

The District has not complied with the requirements identified in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii).

Cause

The condition identified appears to have materialized due to the District's lack of established procedures to ensure compliance with the requirements under Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii).

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii) and implement a procedure to address the control deficiency currently identified with the District's time accounting documentation as it relates to employees working on single or multiple activities or cost objectives.

Corrective Action Plan

The Chief Financial Officer and Director of Special Education have developed an action plan to:

1. Conduct time studies on staff for staff working in program areas supported with Federal funding resources.
2. Time studies will be conducted twice annually.
3. Signed documents will be retained on file by the department.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2016-001 30000 - Financial Accounting Controls - Segregation of Duties

Significant Deficiency

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely reporting of financial information to management and those charged with governance.

Condition

We identified the following deficiencies in internal controls over the District's segregation of duties functions:

- Payroll Specialists have full access to Human Resources and Payroll modules and Management has the ability to create and enter employee data, as well as approve the payroll to be processed.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through analysis and testing of internal controls over the District processes.

Effect

A lack of proper segregation of duties increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Cause

Reductions in the fiscal services staffing and turnover have impacted the ability to maintain adequate internal controls related to segregation of duties.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

Continued monitoring of these functions is essential to ensure the accuracy of transactions posted within the Payroll Department. When available, the impact of staffing reductions should be reviewed and evaluated for potential reinstatement of positions.

Current Status

Not implemented. See current year financial statement finding 2017-001.

2016-002 30000 - Financial Accounting Controls - Long-Term Obligations Process and Controls

Significant Deficiency

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely reporting of financial information to management and those charged with governance.

Condition

We identified through discussions with client and procedures performed related to long-term obligations that there is currently no process in place at the District level to track and monitor long-term obligations.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through analysis and testing of internal controls over the District processes.

Effect

A lack of proper internal controls increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Cause

Reductions in the fiscal services staffing and turnover have impacted the ability to maintain adequate internal controls related to segregation of duties.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

The District should review and implement procedures and internal controls related to long-term obligations to ensure the accuracy of amounts for financial reporting.

Current Status

Implemented.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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Governing Board
William S. Hart Union High School District
Santa Clarita, California

In planning and performing our audit of the basic financial statements of William S. Hart Union High School District (the District) for the year ending June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2017, on the financial statements of the District.

Current Year Comments

Financial Accounting Controls – Clearing Account Reconciliation

Observation

The District is not performing a fund reconciliation over their cash clearing account to reconcile back to the zero balance for the account.

Recommendation

The District should review and implement procedures and internal controls related to the cash clearing account to ensure the accuracy of amounts for financial reporting. A lack of proper internal controls increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Financial Accounting Controls – Revolving Account Reconciliation

Observation

The District is not performing a fund reconciliation over their revolving cash account to reconcile back to the imprest amount for the account.

Recommendation

The District should review and implement procedures and internal controls related to the revolving cash account to ensure the accuracy of amounts for financial reporting. A lack of proper internal controls increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Segregation of Duties - Surplus Sales

Observation

It appears that the District does not provide adequate controls over cash receipts specifically related to surplus sales. There is a lack of segregation of duties over the collection of surplus sales. Also, prenumbered receipts are not being used in the process for collecting surplus sales. It was noted during testing that deposits received from the Director of Purchasing did not include any supporting documentation for the items being deposited to the Business Services Department.

Recommendation

One of the basic elements of internal controls involves segregation of duties in such a manner in which the work of one employee is checked by others and the responsibilities for custody of assets is not placed on the same employee that maintains the accounting records. The duties performed by Director of Purchasing should be evaluated to determine if there are procedures that can be performed by additional District personnel to provide some segregation of duties over the collection of surplus sales. Prenumbered receipts should be issued for all cash collections by District personnel for all surplus sales. Along with the bill of sale, a carbon copy of the receipts issued by District personnel should be forwarded with the cash to the Business Services Department as documentation that all monies collected have been turned in. The receipts issued to the District personnel from the Business Services Department should be totaled and reconciled to the current bank deposit. This will strengthen the controls over cash collections and provide an audit trail for cash collections.

STRS On-Behalf Contribution

Observation

We noted that the District is not in line with guidance issued by the CDE related to STRS On-Behalf Pension Contribution, Resource 7690. As of June 30, 2017, the District did not make the appropriate entry to reflect the 2014-2015 STRS On-Behalf Pension Contribution.

Recommendation

The CDE has established restricted Resource 7690, STRS On-Behalf Pension Contributions, to account for the receipt and expenditure of the financial assistance represented by the State's contribution. We recommend that the District prepare the entry for STRS On-Behalf Pension Contributions using Resource 7690 in order to adjust the fund statements necessary for both the fund statements and the government-wide statements to be correct in accordance with CDE guidance.

WEST RANCH HIGH SCHOOL, BOWMAN CONTINUATION HIGH SCHOOL, HART HIGH SCHOOL, PLACERITA JR HIGH SCHOOL, CANYON HIGH SCHOOL, ACADEMY OF THE CANYONS, AND SAUGUS HIGH SCHOOL

Unauditable Records

Observation

The information necessary to perform our audit was unavailable.

Recommendation

The District should look into the situation at the site. Procedures should be outlined and explained to the site personnel. A periodic review should be made by the District of the site's progress towards the deficiencies mentioned above.

GOLDEN VALLEY HIGH SCHOOL, WEST RANCH HIGH SCHOOL, CANYON HIGH SCHOOL, AND VALENCIA HIGH SCHOOL

Associated Student Body - Deficit Club Balances

Observation

In reviewing the financial statements for the student body accounts, we noted multiple accounts had negative balances of a significant amount. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

LA MESA MIDDLE SCHOOL, CANYON HIGH SCHOOL, SAUGUS HIGH SCHOOL, VALENCIA HIGH SCHOOL, AND RANCHO PICO MIDDLE SCHOOL

Associated Student Body - Revenue Potentials

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due, and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits - This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

LA MESA MIDDLE SCHOOL, SAUGUS HIGH SCHOOL, AND HART HIGH SCHOOL

Associated Student Body - Stale Dated Checks

Observation

In reviewing the site's outstanding check listing for the bank reconciliation, we noted that numerous checks were over six months old making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

LA MESA MIDDLE SCHOOL

Associated Student Body - Cash Disbursements

Observation

During our audit of cash disbursement procedures, the auditor noted 2 out of 36 disbursements had approval signatures on purchase orders that were obtained after the checks were issued.

Recommendation

The District should ensure approval signatures be obtained prior to issuance of the check to ensure all payments meet ASB criteria.

GOLDEN VALLEY HIGH SCHOOL

Associated Student Body - Cash Disbursements Documentation

Observation

Disbursements were not always adequately supported by proper documentation. Out of 40 disbursements tested, 2 were missing supporting documentation for services received. Without the control document of a purchase request form, club spending might deplete the group's account causing deficit spending and the documentation that the required three signatures pursuant to California *Education Code* Section 48933(5)(b) have been obtained prior to the disbursement being made. Receiving documentation ensures that the club/ASB received all of the items ordered. By initialing or signing an invoice, the bookkeeper knows that all the merchandise was received prior to paying for the order.

Recommendation

All invoices should be accompanied by a purchase order, where applicable, and signed receiving documentation. This reduces the risk of unauthorized spending, and items being paid for and not received. Purchase orders provide clubs with documentation of items requested that can then be checked to the receiving documentation for accuracy and completeness, giving the clubs better control over their spending and inventory.

Associated Student Body - Potential Prohibited Expenditure

Observation

During follow up of the prior year finding, the auditor noted expenditures for cell phones, which may not generally be considered as an allowable expenditure by the Associated Student Body. The auditor also noted expenditures for academic uses, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

Associated Student Body - Expenditure Monitoring

Observation

The site is not effectively monitoring actual expenditures against its budgeted amounts. The auditor noted 1 out of 40 issued checks exceeding the amounts noted on the approved purchase order.

Recommendation

The District should implement an effective budgeting system to avoid overages. Failure to do so may result in deficit account balances or bounced checks if not properly estimated.

Associated Student Body - Potential Prohibited Expenditure

Observation

During disbursement testing, the auditor noted expenditures for academic use including biology class supplies, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

WEST RANCH HIGH SCHOOL

Associated Student Body - Bank Reconciliations

Observation

The monthly bank statements were not reconciled for our test months of September through February in a timely manner; therefore, the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Associated Student Body - Previous Class Balances

Observation

The student body accounts included numerous accounts for previously graduated classes.

Recommendation

Education Code Section 48930 refers to monies benefiting students of the site as Student Body funds. Since the graduated classes are no longer students of the District, any monies remaining in these accounts after graduation should be disbursed within the Associated Student Body accounts. The School Board should adopt a policy on how to disburse these funds.

CANYON HIGH SCHOOL

Associated Student Body - Outstanding Deposits

Observation

The minutes of the Student Council meetings are not complete/recorded as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fundraising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it, and the final vote on the motion.

Associated Student Body - Bank Reconciliations

Observation

In reviewing the monthly bank reconciliations, we noted that the bank reconciliations labeled "Mission Valley Bank" as labeled in the balance sheets were not documented at all for audit.

Recommendation

The District should provide the custodians of each bank account with the proper forms and procedures for preparing accurate and timely bank reconciliation. Custodians should be provided with the instructions on clearing the interest from the account to the District and how to clear stale dated items from the records.

Associated Student Body - Bank Access to Records

Observation

The site does not have access to a bank account labeled "Mission Valley Bank" under the balance sheet, although a balance of a significant amount is reported.

Recommendation

The site should have access to the bank account in order to monitor the significant cash amount.

Associated Student Body - Disbursements

Observation

We noted three disbursements which lacked any backup documentation. This has resulted in purchases which are made prior to approval and review of the accounts for sufficient funds.

Recommendation

To strengthen internal controls over the purchasing function, purchase requisitions and/or purchase orders should be prepared prior to purchasing or ordering merchandise. All disbursements should receive approval as specified by the District's purchasing policies prior to the goods or services being ordered. This will allow the District staff to ensure sufficient funds are available for each purchase,

Associated Student Body - Missing Approval Signatures

Observation

The check request form used to approve purchases did not include all three signatures; therefore, the expenditures lacked the three required approval signatures pursuant to California *Education Code* Section 48933(5)(b).

Recommendation

In order to ensure compliance with the California Education Code, the site should revise the request for payment form to include all three required approval signatures.

Associated Student Body - Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts, we noted that seven had negative balances. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

Associated Student Body - Financial Statements

Observation

The student store monthly inventory is not recognized on the ASB financial statements; therefore, the site does not appear to be aware of its year-end inventory balance.

Recommendation

The student store inventory should be listed as an individual asset on the ASB's financial statements; that would ensure the inventory is reconciled properly to the monthly inventory count.

Associated Student Body - Prohibited Disbursement

Observation

The auditor noted, during disbursement testing, that two teachers received \$150 each in gift cards for "Lobster fest".

Recommendation

Expenditure of ASB funds for the following items is not usually allowable because they do not directly promote the general welfare, morale, or educational experience of the students, are considered a District responsibility, or are a gift of public funds. Because student body funds are to benefit students as a group and not individuals, awards and scholarships are generally discouraged.

Associated Student Body - Bank Reconciliations

Observation

The monthly bank statements were not reconciled for any month after July 2016 in a timely manner; therefore, the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Associated Student Body - Potential Prohibited Expenditure

Observation

During disbursement testing, the auditor noted expenditures for gift cards for staff members, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

SAUGUS HIGH SCHOOL

Associated Student Body - Bank Reconciliations

Observation

In reviewing the monthly bank reconciliations, we noted that the bank reconciliations for the savings account were not documented at all for audit.

Recommendation

The District should provide the custodians of each bank account with the proper forms and procedures for preparing accurate and timely bank reconciliation. Custodians should be provided with the instructions on clearing the interest from the account to the District and how to clear stale dated items from the records.

Associated Student Body - Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts, we noted that two had negative balances of significant amounts. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

Associated Student Body - Financial Statements

Observation

The student store monthly inventory is not recognized on the ASB financial statements; therefore, the site does not appear to be aware of its year-end inventory balance.

Recommendation

The student store inventory should be listed as an individual asset on the ASB's financial statements; that would ensure the inventory is reconciled properly to the monthly inventory count.

Associated Student Body - Outstanding Deposit

Observation

In reviewing the site's outstanding items listing, an outstanding deposit/adjustment dating back to October 2016 in the amount of \$8,242.80 was noted.

Recommendation

Outstanding deposits should be carefully monitored to ensure amounts clear through the following statement and should be followed up if any errors occur.

Associated Student Body - Deficit Bank Account Balances

Observation

In reviewing the financial statements for the student body accounts, we noted the "Mission Valley Bank" Cash Account had a negative balance of \$304.01. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

VALENCIA HIGH SCHOOL

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, the auditor noted 1 out of 29 disbursements were written for "Starbucks" as a staff appreciation gift, against the California Constitution, Article 16, Section 6, "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. The District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Associated Student Body - Potential Prohibited Expenditure

Observation

During follow up of the prior year finding, the auditor noted expenditures for cell phones, which may not generally be considered as an allowable expenditure by the Associated Student Body. The auditor also noted expenditures for academic uses, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

Associated Student Body - Minutes

Observation

The minutes of the Student Council meetings are not recorded as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fundraising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it, and the final vote on the motion.

HART HIGH SCHOOL

ASB - Adequate Safeguarding of Tickets

Observation

During the audit, the auditor noted inadequate safeguards of ticket rolls. The auditor observed numerous ticket rolls not secured and locked appropriately.

Recommendation

The ticket rolls should remain locked and secured at all times when not in use. Tickets represent assets, and the theft of them can result in revenue loss to the site.

Associated Student Body - Stale Dated Checks

Observation

In reviewing the site's bank statements, the auditor noted a substantial amount of stale dated checks, making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

Associated Student Body - Outstanding Deposits

Observation

In reviewing the site's bank statements, the auditor noted outstanding deposits, making the probability of them clearing the account quite low.

Recommendation

Deposits should be carefully monitored to ensure amounts clear through the following statement and should be followed up if any errors occur.

PLACERITA MIDDLE SCHOOL

Associated Student Body - Timely Deposits

Observation

Deposits are not being made timely by the site bookkeeper. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset. In one instance during testing, receipts were on hand for about two weeks before being deposited.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, the auditor noted 1 out of 15 disbursements were written to the American Cancer Society, against the California Constitution, Article 16, Section 6 "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. The District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Associated Student Body - Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts, we noted that one had a negative balance. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

Associated Student Body - Financial Statements

Observation

The student store monthly inventory is not recognized on the ASB financial statements; therefore, the site does not appear to be aware of its year-end inventory balance.

Recommendation

The student store inventory should be listed as an individual asset on the ASB's financial statements; that would ensure the inventory is reconciled properly to the monthly inventory count.

Associated Student Body - Bank Reconciliations

Observation

In reviewing the monthly bank reconciliations, we noted that the bank reconciliations labeled "Cash acct for Old Bank" and "Mission Valley CD" as labeled in the balance sheets were not documented at all for audit.

Recommendation

The District should provide the custodians of each bank account with the proper forms and procedures for preparing accurate and timely bank reconciliation. Custodians should be provided with the instructions on clearing the interest from the account to the District and how to clear stale dated items from the records.

Associated Student Body - Bank Access to Records

Observation

The site does not have access to a bank account labeled "Cash acct for Old Bank" under the balance sheet, although a balance of a significant amount is reported.

Recommendation

The site should have access to the bank account in order to monitor the significant cash amount.

RANCHO PICO MIDDLE SCHOOL

Associated Student Body - Bank Reconciliations

Observation

The monthly bank statements were not reconciled for our test month of November and October in a timely manner; therefore, the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balances reported on the books are accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Associated Student Body - Master Ticket Log

Observation

A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Associated Student Body - Potential Prohibited Expenditure/Movie Ticket Log

Observation

During disbursement testing, the auditor noted expenditures for movie tickets available for sale only to staff at no profit, which may not generally be considered as an allowable expenditure by the Associated Student Body. The movie tickets are not being tracked by a log and on their financial statements.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students. The site should keep a log if the ASB intends to keep selling the movie tickets for a profit in order to keep an accurate count of tickets and sales.

Associated Student Body - Cash Disbursements Documentation

Observation

Disbursements were not always adequately supported by proper documentation. Out of 40 disbursements tested, 4 were missing supporting documentation for services received (all theater department services) and 1 was missing evidence of a purchase request form. Without the control document of a purchase request form, club spending might deplete the group's account causing deficit spending and the documentation that the required three signatures, pursuant to California *Education Code* Section 48933(5)(b), have been obtained prior to the disbursement being made. Receiving documentation ensures that the club/ASB received all of the items ordered. By initialing or signing an invoice, the bookkeeper knows that all the merchandise was received prior to paying for the order.

Recommendation

All invoices should be accompanied by a purchase order, where applicable, and signed receiving documentation. This reduces the risk of unauthorized spending, and items being paid for and not received. Purchase orders provide clubs with documentation of items requested that can then be checked to the receiving documentation for accuracy and completeness, giving the clubs better control over their spending and inventory.

Associated Student Body - Bank Reconciliation/Financial Statements Review

Observation

Bank reconciliations and financial statements were not being reviewed.

Recommendation

Timely and accurate bank account reconciliations and review are prudent and necessary. The principal/school administrator or ASB advisor should compare the bank statement and the checkbook to the general ledger to ensure that the totals match the numbers on the bank reconciliations. The principal/school administrator or ASB advisor should verify that outstanding items are cleared in the following month. The principal/school administrator or ASB advisor should initial and date the bank reconciliation and the bank statement as evidence that they were reviewed and that the totals are identical. The principal/school administrator or ASB advisor should also review the financial statements for accuracy regarding transactions and accounts.

Associated Student Body - Prenumbered Receipts

Observation

It appears that the site does not provide adequate controls over cash receipts. Prenumbered receipts were less than the amount of the deposit; therefore, deposits are not being reconciled with the receipts.

Recommendation

Prenumbered receipts should be issued for all cash collections by the teacher, the advisors, and the site bookkeeper and would include a specific description of the source of the funds. A carbon copy of the receipts issued by the teachers and the advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

Associated Student Body - Missing Bank Statement

Observation

The monthly bank statements were missing for the test month of October. The site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank statements must be accounted for every month in order to ensure available cash balances.

Associated Student Body - Petty Cash

Observation

The site maintains a petty cash account which is not on their financial statements understating the ASB assets.

Recommendation

The site needs to maintain the petty cash account in their financials. Accurately showing the petty cash amount shows the advisors, administrators, and students the petty cash amount readily available for the ASB. It also makes sure bookkeepers are keeping a safe count of the petty cash.

BOWMAN CONTINUATION HIGH SCHOOL

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, the auditor noted 1 out of 11 disbursements were written to Family Promise, against the California Constitution, Article 16, Section 6 "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. The District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Associated Student Body - Financial Statements

Observation

Periodic financial statements were not prepared.

Recommendation

Periodic financial statements must be prepared to help principals and other school administrators, ASB advisors, and students understand the ASB's financial position. The size of the ASB operations and the grade level of the school often determine the type and frequency of the financial reports. The governing board policy also may determine how and when financial reports are prepared. The District's Business Office should also receive copies of the periodic financial statements as part of their oversight responsibility.

Associated Student Body - Bank Reconciliation Review

Observation

Bank reconciliations were not being reviewed. Many payments and deposits were on the bank reconciliation where the office manager was not sure why this occurred, thus the bank reconciliations were not being reviewed.

Recommendation

Timely and accurate bank account reconciliations and review are prudent and necessary. The principal/school administrator or ASB advisor should compare the bank statement and the checkbook to the general ledger to ensure that the totals match the numbers on the bank reconciliations. The principal/school administrator or ASB advisor should verify that outstanding items are cleared in the following month. The principal/school administrator or ASB advisor should initial and date the bank reconciliation and the bank statement as evidence that they were reviewed and that the totals are identical.

Associated Student Body - Prenumbered Receipts

Observation

It appears that the site does not provide adequate controls over cash receipts. Prenumbered receipts were less than the amount of the deposit; therefore, deposits are not being reconciled with the receipts.

Recommendation

Prenumbered receipts should be issued for all cash collections by the teacher, the advisors, and the site bookkeeper and would include a specific description of the source of the funds. A carbon copy of the receipts issued by the teachers and the advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

GOLDEN OAKS ADULT EDUCATION

Registration Fee Collections

Observation

During our visit, we noted that no reconciliation being performed over current student enrollment to registration fees collected.

Recommendation

The office manager must reconcile the payments received from ASAP to the actual registration to ensure they are complete and provide a financial record for the purposes of the deposit. The District is responsible to ensure all funds received are properly recorded with supporting documentation. If the ASAP system does not support an adequate paper trail or a way to account for student fees collected to student accounts.

Decentralized Cash Receipts

Observation

The Adult School does not maintain a master receipt book to account for the monies collected by teachers. Sub-receipts are being used for both teachers and the Adult School Office; however, there is no audit trail to determine what receipts relate to a specific bank deposit.

Recommendation

A master receipt book would provide an audit trail that would enable the verification that all monies received are subsequently deposited intact and in a timely manner.

Textbook Inventory

Observation

During the audit, it was noted that teachers collect additional fees for class materials, specifically textbooks. Multiple receipt books are being utilized for fees collected; however, there is currently no perpetual inventory or physical inventory of textbooks, so there was no way to reconcile fees collected to textbooks being sold.

Recommendation

The District Office should assist the Adult School in implementing proper internal control over cash collections for fee collections by teachers and maintaining a perpetual inventory of textbooks.

Adequate Safeguarding of Textbooks

Observation

During the audit, the auditor noted inadequate safeguards of textbooks. The auditor observed numerous textbooks not secured and locked appropriately, due to the lack of storage space on site.

Recommendation

The textbooks should remain locked and secured at all times when not in use. Textbooks represent assets, and the theft of them can result in revenue loss to the site.

Armored Pickup Services

Observation

Armored services provided by the District are not being utilized by the Adult Education School site. All bank deposits are still being performed by site personnel.

Recommendation

We recommend that the Adult School work with the District in determining if there is opportunity to use services in place with armored car pickups. Exposing the school personnel to bringing the funds to the bank can be risky, at best. Bringing funds that belong to the Adult School, and is a part of the District, is unwise in that funds may be lost, redirected, or even stolen. All funds that are a part of the District, whether governmental (as are the adult education funds), special revenue, or fiduciary belong to the public and must be treated with the highest care.

RANCHO PICO MIDDLE SCHOOL

Prenumbered Receipts

Observation

It appears that the site does not provide adequate controls over cash receipts. Prenumbered receipts were less than the amount of the deposit; therefore, deposits are not being reconciled with the receipts.

Recommendation

Prenumbered receipts should be issued for all cash collections by site personnel which would include a specific description of the source of the funds. A carbon copy of the receipts issued by the site personnel should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to site personnel from the bookkeeper should be totaled and reconciled to the current bank deposit.

SAUGUS HIGH SCHOOL

Prenumbered Receipts

Observation

During our audit of site cash collection procedures, we noted that a receipt is not written for all cash received from the librarian for lost or damaged books, photo copies, etc. that are subsequently forwarded to the District Office.

Recommendation

All site cash collections should be receipted intact and in a timely manner. A log should be maintained for personal phone call reimbursements detailing the amount collected by individual. This information must be forwarded to the District Office so that they know what accounts to adjust for the collection.

HART HIGH SCHOOL

Reimbursements

Observation

During our audit of site cash collection procedures, we noted that monies are refunded from cash awaiting deposit rather than being disbursed via a District check.

Recommendation

Procedures should be implemented whereby refunds are distributed only after proper documentation and approvals have been obtained. Refunds should never be paid from cash on hand as this money should be reconciled to receipts issued and deposited intact to the District.

Prior Year Comments

Financial Accounting Controls - Revolving Account Reconciliation

Observation

We identified the following deficiencies in internal controls over the District's financial accounting and reporting:

- The District has not performed an independent review of bank reconciliations performed over their revolving cash account.
- The District is not performing fund reconciliation over their revolving cash account to reconcile back to the imprest amount for the account.

Recommendation

The District should review and implement procedures and internal controls related to the revolving cash account to ensure the accuracy of amounts for financial reporting. A lack of proper internal controls increases the likelihood of misstatement due to error or fraud and decreases the likelihood of accurate financial reporting.

Current Status

Not implemented.

**GOLDEN VALLEY HIGH SCHOOL, WEST RANCH HIGH SCHOOL, CANYON HIGH SCHOOL,
AND VALENCIA HIGH SCHOOL**

Associated Student Body - Deficit Club Balances

Observation

In reviewing the financial statements for the student body accounts we noted multiple accounts had negative balances of a significant amount. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

Current Status

Not implemented.

**LA MESA MIDDLE SCHOOL, CANYON HIGH SCHOOL, SAUGUS HIGH SCHOOL, AND
VALENCIA HIGH SCHOOL**

Associated Student Body - Revenue Potentials

Observation

Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits - This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Current Status

Not implemented.

LA MESA MIDDLE SCHOOL, SAUGUS HIGH SCHOOL, AND HART HIGH SCHOOL

Associated Student Body - Stale Dated Checks

Observation

In reviewing the sites outstanding check listing for the December reconciliation, we noted that numerous checks were over six months old making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

Current Status

Not implemented.

LA MESA MIDDLE SCHOOL

Associated Student Body - Cash Disbursements

Observation

During our audit of cash disbursement procedures, auditor noted approval signatures on POs are obtained after the checks are issued.

Recommendation

The District should ensure approval signatures should be obtained prior to issuance of the check to ensure all payments meet ASB criteria.

Current Status

Not implemented.

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, auditor noted 1 out of 40 disbursements were written to the Leukemia and Lymphoma Society, against the California Constitution, Article 16, Section 6 "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Current Status

Implemented.

GOLDEN VALLEY HIGH SCHOOL

Associated Student Body - Cash Disbursements Documentation

Observation

Disbursements were not always adequately supported by proper documentation. Out of 40 disbursements tested, 4 were missing supporting documentation for services received (all theater department services), and 1 was missing evidence of a purchase request form. Without the control document of a purchase request form, club spending might deplete the group's account causing deficit spending and the documentation that the required three signatures pursuant to California *Education Code* Section 48933(5)(b) have been obtained prior to the disbursement being made. Receiving documentation ensures that the club/ASB received all of the items ordered. By initialing or signing an invoice, the bookkeeper knows that all the merchandise was received prior to paying for the order.

Recommendation

All invoices should be accompanied by a purchase order where applicable, and signed receiving documentation. This reduces the risk of unauthorized spending, and items being paid for and not received. Purchase orders provide clubs with documentation of items requested that can then be checked to the receiving documentation for accuracy and completeness, giving the clubs better control over their spending and inventory.

Current Status

Not implemented.

Associated Student Body - Ticket Log (Dances)

Observation

A master ticket log is not being used by the site to account for all tickets on hand and used for dances. Auditor noted a POS system utilized for purchase, however, purchasing may be bypassed because students may enter the dance using tickets not logged sequentially or in the POS system. Tickets used for entry are also not in a secure location to avoid theft.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Current Status

Implemented.

Associated Student Body - Inventory

Observation

The student store does not maintain an inventory of the food/beverages purchased or sold in store nor in the site vending machines, therefore, no accountability exists for the inventory.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

Current Status

Not implemented.

Associated Student Body - Inventory Reconciliation

Observation

During our audit we found that the student store/vending machine sales are not reconciled to ending inventory on a regular basis. Under the accounting code for student body groups a quarterly physical inventory should be taken. At this time, the student store sales should also be reconciled to ensure that all items purchased for resale have been sold or accounted for.

Recommendation

We recommend that a quarterly physical inventory be taken and reconciled to student store sales to ensure all merchandise has been accounted for. The prior quarters ending inventory plus quarterly purchases less quarterly sales should equal the current physical count.

Current Status

Not implemented.

Associated Student Body - Segregation of Duties

Observation

Auditor noted ASB bookkeeper is solely responsible for vending machine sales, therefore performing all accounting functions such as recording transactions, receipting deposits, making bank deposits, and reconciling the account. Auditor noted no supporting documentation or accounting trail to reconcile vending machine sales.

Recommendation

The site should provide for adequate segregation of duties and reconciliation should be performed and submitted for review of all vending machine sales by an independent personnel.

Current Status

Implemented.

Associated Student Body - Expenditure Monitoring

Observation

The site is not effectively monitoring actual expenditures against its budgeted amounts. Auditor noted 5 out of 40 issued checks exceeding the amounts noted on the approved purchase order.

Recommendation

District should implement an effective budgeting system to avoid overages. Failure to do so may result in deficit account balances, or bounced checks if not properly estimated.

Current Status

Implemented.

WEST RANCH HIGH SCHOOL

Associated Student Body - Bank Reconciliations

Observation

The monthly bank statements were not reconciled for our test month of October and November in a timely manner therefore; the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Current Status

Not implemented.

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, we noted 1 out of 40 disbursements were written to the St Jude Children's Hospital and 1 out of 40 were written to Bloodies First as a staff appreciation gift, against the California Constitution, Article 16, Section 6 "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Current Status

Implemented.

Associated Student Body - Previous Class Balances

Observation

The student body accounts included numerous accounts for previously graduated classes.

Recommendation

Education Code Section 48930 refers to monies benefiting students of the site as Student Body funds. Since the graduated classes are no longer students of the District, any monies remaining in these accounts after graduation should be disbursed within the Associated Student Body accounts. The School Board should adopt a policy on how to disburse these funds.

Current Status

Not implemented.

CANYON HIGH SCHOOL

Associated Student Body - Bank Reconciliations

Observation

The monthly bank statements were not reconciled for our test month of October in a timely manner; therefore, the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts.

Current Status

Not implemented.

Associated Student Body - Potential Prohibited Expenditure

Observation

During disbursement testing auditor noted expenditures for academic uses, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

Current Status

Not implemented.

Associated Student Body - Personal Credit Card Usage Policy

Observation

Through expenditure testing and inquiry, auditor noted that the ASB Bookkeeper pays for ASB related items using personal credit card, and payment is written out to "AMEX" or "Capital One", rather than the employee making the purchase.

Recommendation

Although there appears to be adequate approval and safe keeping of the credit cards in place; policies and procedures should be established by the District Board of Directors for the usage of credit cards, users, restrictions on purchases, and transaction limits among others.

Current Status

Implemented.

SAUGUS HIGH SCHOOL

Associated Student Body - Potential Prohibited Expenditure

Observation

During disbursement testing auditor noted expenditures for academic use including biology class supplies, which may not generally be considered as an allowable expenditure by the Associated Student Body.

Recommendation

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

Current Status

Implemented.

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, auditor noted 1 out of 40 disbursements were written as a reimbursement for supplies bought for the homeless, against the California Constitution, Article 16, Section 6 "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Current Status

Implemented.

Associated Student Body - Master Ticket Log

Observation

A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, a ticket sale recap form is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Current Status

Implemented.

Associated Student Body - Monitoring of Cash Flow (Vending)

Observation

Auditor noted no method in place to track vending machine sales in order to reconcile money collected to money deposited.

Recommendation

The site should provide for an adequate reconciliation method submitted for review of all vending machine sales by independent personnel.

Current Status

Implemented.

Associated Student Body - Outstanding Deposit

Observation

In reviewing the sites outstanding items listing an outstanding deposit dating back to August 2015 in the amount of \$127.10 was noted.

Recommendation

Outstanding deposits should be carefully monitored to ensure amounts clear through the following statement and should be followed up if any errors occur.

Current Status

Not implemented.

Associated Student Body - Deficit Bank Account Balances

Observation

In reviewing the financial statements for the student body accounts we noted the "Bank of Santa Clarita" Cash Account had negative balance of \$1,655.88. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the group's account.

Current Status

Not implemented.

Associated Student Body - Inventory

Observation

The student store does not maintain an inventory of the food/beverages purchased or sold in store nor in the site vending machines, therefore no accountability exists for the inventory.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

Current Status

Implemented.

VALENCIA HIGH SCHOOL

Associated Student Body - Gift of Public Funds

Observation

In reviewing the cash disbursements, auditor noted 1 out of 40 disbursements were written for "Bloomies First" as a staff appreciation gift, against the California Constitution, Article 16, Section 6, "gift of public funds".

Recommendation

Expenditures of school funds must directly and tangibly support students. District may assume the responsibility of such donations to avoid the violation, if approved by the governing board. If assumed by the District, the governing board should establish a policy regarding donations for public purposes.

Current Status

Not implemented.

Associated Student Body - Minutes

Observation

The minutes of the Student Council meetings are not recorded as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.

Current Status

Not implemented.

Associated Student Body - Timely Deposits

Observation

Auditor noted Student Store cash is not reported to the bookkeeper in a timely matter. Cash acquired in late September was submitted in late October rather than within the same week to be counted and stored for the upcoming bank deposit.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

Current Status

Implemented.

Associated Student Body - Bank Reconciliation Review

Observation

The monthly bank statements were not reviewed for our test months of October through December, therefore, demonstrating a lack of key controls in place.

Recommendation

Monthly bank reconciliations must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts. An independent review must be performed following reconciliation.

Current Status

Implemented.

HART HIGH SCHOOL

ASB - Adequate Safeguarding of Tickets

Observation

During the audit, auditor noted inadequate safeguards of ticket rolls. Auditor observed numerous ticket rolls not secured and locked appropriately.

Recommendation

The ticket rolls should remain locked and secured at all times when not in use. Tickets represent assets and the theft of them can result in revenue loss to the site.

Current Status

Not implemented.

Governing Board
William S. Hart Union High School District

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2017